

AGENDA

Executive

Wednesday, 19 January 2022 AT 16:00
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

APOLOGIES FOR ABSENCE

To receive apologies for absence.

PUBLIC AND PRESS

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

DECLARATIONS OF INTEREST

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any items on the agenda at this stage.

MINUTES OF PREVIOUS MEETING

7 - 22

To sign the Minutes of the meeting of the Executive held on 22 November and 13 December 2021.

[Minute Book Vol 48(4)]

To confirm the minutes of the meeting of the Executive on 20 December 2021 (Copy Minutes herewith)

PART A

To be considered when the Public and Press are present

A.1 **BUDGET 2022/23 – CONSIDERATION OF CONSULTATION FEEDBACK**

(Key Decision – KD.10/21)

To consider the Minutes of the following Budget Consultation meetings:

1. Business and Transformation Scrutiny Panel – 6 January 2022
2. Budget consultation meeting with Trade Union representatives – 10 January 2022
3. Budget consultation meeting with Non-Domestic Ratepayers / business representatives – 10 January 2022

(Copy Minutes to follow)

A.2 **BUDGET 2022/23**

(Key Decision - KD.10/21)

A.2 **BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27** 23 - (a) 42

The Corporate Director of Finance and Resources to submit an update to reports RD.46/21 and RD.52/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes. Potential new spending pressures, bids and savings are also considered in this report.
(Copy Report RD.64/21 herewith)

A.2 **REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL** 43 - (b) **PROGRAMME 2022/23 TO 2026/27** 54

The Corporate Director of Finance and Resources to submit an update to reports RD.47/21 and RD.55/21, summarising the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B. The report also summarises the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.
(Copy Report RD.65/21 herewith)

A.2 **TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT** **55 -**
(c) **STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23** **94**

The Corporate Director of Finance and Resources to submit an update to report RD.53/21 setting out the Council's draft Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.
(Copy Report RD.66/21 and Minute Excerpts herewith / to follow)

A.2 **PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23** **95 -**
(d) **102**

The Corporate Director of Finance and Resources to submit a report providing an analysis of the Provisional Finance Settlement received for 2022/23 and the impact this has on the Council's Revenue Budget.
(Copy Report RD.67/21 herewith)

A.3 **EXECUTIVE RESPONSE TO THE BUDGET CONSULTATION AND**
RECOMMENDATIONS FOR THE 2022/23 BUDGET

(Key Decision - KD.10/21)

The Executive to propose their response to the Budget consultation and the Executive's recommendations on the General Fund and Capital Estimates for 2022/23 for submission to the City Council on 1 February 2022.
(Copy Proposal to be tabled at the meeting)

Background Papers - various financial reports being considered as part of the Budget process are available on the Council's website -
<https://carlisle.cmis.uk.com/>

Members and Officers are asked to bring their copy of the bound Budget Book issued under cover of a letter from the Corporate Director of Governance and Regulatory Services dated 12 November 2021 to this meeting.

A.4 **NOTICE OF EXECUTIVE KEY DECISIONS** **103 -**
 110

(Non Key Decision)

The Notice of Executive Key Decisions, published on 17 December 2021, is submitted for information.

Members of the Executive

Councillor J Mallinson (Leader's Portfolio)

Councillor G Ellis (Deputy Leader, and Finance, Governance and Resources Portfolio Holder)

Councillor N Christian (Environment and Transport Portfolio Holder)

Councillor S Higgs (Culture, Heritage and Leisure Portfolio Holder)

Councillor Mrs E Mallinson (Communities, Health and Wellbeing Portfolio Holder)

Councillor P Nedved (Economy, Enterprise and Housing Portfolio Holder)

Notes to Members:

Decisions made at this meeting, if not subject to call-in, will normally become live on 31 January 2022

Enquiries, requests for reports, background papers etc to:
committeeservices@carlisle.gov.uk



Executive

Date: Monday, 20 December 2021

Time: 16:00

Venue: Cathedral Room

Present: Councillor Nigel Christian, Councillor Gareth Ellis, Councillor Stephen Higgs, Councillor Mrs Elizabeth Mallinson, Councillor John Mallinson (The Leader), Councillor Paul Nedved

Also Present: Councillor Mrs Bowman, Chair of the Licensing Committee

Officers: Deputy Chief Executive
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Corporate Director Economic Development

EX.148/21 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of the Town Clerk and Chief Executive.

EX.149/21 PUBLIC AND PRESS

RESOLVED - That the Agenda be agreed as circulated.

EX.150/21 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

EX.151/21 MINUTES OF PREVIOUS MEETING

RESOLVED - That the minutes of the meeting held on 22 November 2022 be agreed.

EX.152/21 CALL IN

The Leader reported the Mayor had, on 10 December 2021, agreed that the following items be exempt from call in as call-in procedures would overlap the City Council meeting on 4 January 2022 when the Council will be asked to approve the following matters:

A.3 – Gambling Policy

A.4 – Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 – Changes to Existing Housing Assistance Policy

A.5 – Tullie House Business Plan 2021 – 2030 (22/23 Revision)

A.11 – Dates and Times of Meetings 2022/23

EX.153/21 BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Pursuant to Minute EX.128/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.52/21 providing an update to the Corporate Director of Finance and Resources' report to the Executive of 22 November 2021 (RD.46/2).

Summarised within the report were the revised revenue base estimates for 2021/22, together with the base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes.

The report drew Members' attention to the fact that a number of significant factors affecting the budget were currently unresolved. In particular, the following were key to the budget process and details thereon would be considered as the budget progressed.

- Ongoing impact of COVID-19
- Local Government Finance Settlement – announcement due by December 2021
- Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Administration Grant
- Future borrowing requirements
- Commercial and investment opportunities
- Local Government Reorganisation

Set out at Section 3 was an overview of the outstanding key issues and resource assumptions, with details of the potential new spending pressures/bids that needed to be considered also provided at Section 4.

The Council's current levels of balances set out at Appendix A included any impact of the proposed pressures and savings outlined in the report. The Projects Reserve would be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves was dependent upon the achievement of the transformation savings. A risk-based review of reserve levels had been undertaken and showed that the minimum level of General Fund Reserves should remain at £3.1million due to uncertainties around future funding from Business Rates; however that would be reviewed during the budget process.

The Finance, Governance and Resources Portfolio Holder concluded by moving the recommendations as detailed within the report. The Leader seconded them.

Summary of options rejected none **DECISION**

That the Executive:

- (i) noted the revised base estimates for 2021/22 and base estimates for 2022/23;
- (ii) noted that the estimates in the report were draft and would be subject to the confirmation of Local Government Finance Settlement due in December 2021;
- (iii) noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues become clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process;
- (v) Approved the release of amounts from the Operational Risk Reserve for

Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2 of report RD.52/21

(vi) notes the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

Reasons for Decision

To ensure that a balanced budget is set.

EX.154/21 REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

Pursuant to Minute EX.133/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.55/21 which provided an update to the Corporate Director of Finance and Resources' report to the Executive of 22 November 2021 (RD.47/21).

The report set out the proposed capital programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarised the estimated capital resources available to fund the programme.

The resources available to support the capital programme could only be estimated during the year. The final position was dependent, in particular, on how successful the Council had been in achieving Capital Receipts from the sale of assets against its target.

The cost of externally borrowing £1m to fund the capital programme would result in a charge to the revenue account in the next full year of approximately £50,000. That was made up of £20,000 for the cost of the interest payable (2% of £1m equated to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equated to £30,000).

The revised capital programme for 2021/22 (Appendix A) now totalled £30,378,800. The revised anticipated resources available and their use to fund the capital programme were depicted at Appendix B.

The Finance, Governance and Resources Portfolio Holder moved the recommendations, which were seconded by the Economy, Enterprise and Housing Portfolio Holder.

Summary of options rejected None

DECISION

That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B of report RD.55/21;
- (ii) Given initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
- (iii) Noted that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been

approved.

Reasons for Decision To ensure that a balanced budget is set

**EX.155/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23**

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

Pursuant to Minute EX.135/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.53/21 setting out the Council's draft Treasury Management Strategy Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2022/23 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report had been considered by the Audit Committee on 10 December 2021 and would be considered by the Business and Transformation Scrutiny Panel on 6 January 2022.

The Finance, Governance and Resources Portfolio Holder moved the recommendation set out within the report and the Leader seconded the recommendation.

Summary of options rejected None

DECISION

That the Executive noted the draft Treasury Management Strategy Statement for 2022/23, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.53/21; and sought comments from the Business and Transformation Scrutiny Panel in January 2022.

Reasons for Decision

To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement

EX.156/21 CHARGES REVIEWS

(Key Decision KD.10/21)

Portfolio Cross-cutting

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Pursuant to Minutes EX.129/21, EX.130/21, EX.131/21 and EX.132/21, further consideration was given to the Charges Reviews in respect of charges falling within the responsibility of the

Community Services; Economic Development; Governance and Regulatory Services Directorates; and the Licensing Section.

Extracts from the Minutes of the meetings of the Health and Wellbeing Scrutiny Panel on 25 November 2021 (HWSP.79/21); Economic Growth Scrutiny Panel on 2 December 2021 (EGSP.74/21); and Business and Transformation Scrutiny Panel on 7 December 2021 (BTSP.90/21) in respect of the proposed charges were submitted.

The Economic Growth Scrutiny Panel had recommended that the Car Parking charges be frozen for the first hour in all City Council car parks.

Executive Members were asked to refer to the Charges Review Reports contained within the Budget Book.

The Finance, Governance and Resources Portfolio Holder moved and the Leader seconded the recommendation.

Summary of options rejected

a number of alternative charges as detailed in the above reports

DECISION

1. That the fees and charges for 2022/23 relating to those services falling within the responsibility of the Community Services Directorate (CS.37/21), including the proposal to freeze the first hour of car parking charges for Council owned car parks, be approved with effect from 1 April 2022.
2. That the fees and charges for 2022/23 relating to those services falling within the responsibility of the Economic Development Directorate (ED.39/21) be approved with effect from 1 April 2022.
3. That the fees and charges for 2022/23 relating to the areas falling within the responsibility of the Governance and Regulatory Services Directorate (GD.55/21) be approved with effect from 1 April 2022.
4. That the Executive noted the Licensing Charges which had been approved by the Regulatory Panel on 1 December 2021; and approved the fees under the Scrap Metal Dealers Act 2013 with effect from 1 April 2022. (GD.82/21)

Reasons for Decision

The proposed charges and options reflected the Corporate Charging Policy as set out in the Medium Term Financial Plan, whilst attempting to recognise service pressures and trends.

EX.157/21 EXECUTIVE DRAFT BUDGET PROPOSALS FOR CONSULTATION

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Finance, Governance and Resources Portfolio Holder reported that the Executive was issuing their 2022/23 Budget Proposals for consultation, copies of which were circulated.

The Executive had taken into consideration the recommendations of the three Scrutiny Panels and had included, for consultation, the recommendation to freeze the City Council portion of

the Council Tax for 2022/23 and the recommendation to freeze the first hour of car parking charges in City Council car parks.

Over the next four weeks, the Executive would be consulting on its budget proposals with businesses, trade union representatives and its residents. The deadline for comments was 9.00 am on 18 January 2022. The Executive would respond to consultees' feedback at its meeting on 19 January 2022.

The Finance, Governance and Resources Portfolio Holder concluded by moving the recommendation that the Executive's draft Budget proposals be agreed and circulated for consultation; the Leader seconded the recommendation.

Summary of options rejected

A number of options which had been considered as part of the Council's 2022/23 budget deliberations as identified in various reports

DECISION

That the Executive's draft Budget proposals, as circulated at the meeting and appended to these Minutes as Appendix A, be agreed and circulated for consultation.

Reasons for Decision

To produce the draft Budget proposals for consultation purposes.

EX.158/21 GAMBLING ACT 2005 - DRAFT STATEMENT OF PRINCIPLES

(Key Decision - KD.19/21)

******(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Business and Transformation

Subject Matter

The Finance, Governance and Resources Portfolio Holder reported (GD.86/21) that Section 349 of the Gambling Act 2005 required all licensing authorities to prepare and publish a Statement of Principles that they proposed to apply in exercising their functions under the Act during the three year period to which the policy applied.

The Finance, Governance and Resources Portfolio Holder advised that the Licensing Committee had considered the response to the consultation and noted that no amendments had been made to the Policy (Minute Excerpt LC.34/21 referred).

The Chair of the Licensing Committee was in attendance. In addressing the Executive, the Chair stated that the Gambling Act 2005 came into effect in 2007 and the Licensing Authority must review, consult and then publish its policy statement every 3 years.

The Policy covered the premises and activities that the authority had responsibility for and how applications were considered, monitoring and enforcement was undertaken and also included a Local Area Profile where gambling premises were mapped out to look at potential

clusters and locations in relation to various properties, such as local hostels, community centres, schools and colleges

The Chair stated that the Licensing Committee agreed the reviewed Policy to be consulted upon at their meeting on 18th August 2021. As there had been a limited number of changes to both regulations issued by the Secretary of State and guidance issued by the Gambling Commission in the intervening 3 year period, there had been no substantial changes to the Policy. The Policy was consulted upon until 8th October 2021 and no responses had been received. The Policy was circulated widely and publicised on the council's website and social media sites.

The Licensing Committee approved the draft policy to be forwarded to the Executive on 1st December 2021 in order for the Executive to forward to Council to adopt the statement on 4th January 2022.

The Finance, Governance and Resources Portfolio Holder moved that the Policy be referred to Council for approval and the Leader seconded the recommendation.

Summary of Options Rejected Not to refer the Policy for approval.

DECISION

That the Executive:

1. Had considered the responses to the consultation (GD.86/21)
2. Had given consideration to the amended draft Gambling Policy with a view to adoption by Council on 4 January 2022.

Reasons for Decision

To meet the requirements of the Gambling Act 2005.

EX.159/21 REGULATORY REFORM (HOUSING ASSISTANCE) (ENGLAND AND WALES) ORDER 2002 - CHANGES TO EXISTING HOUSING ASSISTANCE POLICY

(Key Decision KD.20/21)

******(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Communities, Health and Wellbeing

Relevant Scrutiny Panel Health and Wellbeing

Subject Matter

The Communities, Health and Wellbeing Portfolio Holder presented a review of the existing Regulatory Reform Order (RRO) Housing Renewal Assistance Policy which was last updated in 2018 and approved by Council in January 2019. Revisions had been necessary to ensure the Housing Renewal Assistance Policy was fit for purpose as an offer for residents and reflected the current demands on the service. The revised Policy had been attached to report GD.70/21 as an appendix.

The Communities, Health and Wellbeing Portfolio Holder highlighted that the recommendation would allow specific DFG funding to be used for grants to assist the elderly, disabled or other vulnerable groups to live independently and to improve their living conditions and well-being. Specifically, minor works that supported ill health prevention, promote independence and delay transfer into care. She clarified that the Disabled Facilities Grants were not means tested.

The Health and Wellbeing Scrutiny Panel had considered the report on 25 November 2021 (HWSP.83/21 referred) and received the report.

The Chair of the Health and Wellbeing Scrutiny Panel had been invited to attend to speak but was not in attendance today.

The Communities Health and Wellbeing Portfolio Holder moved the recommendations and the Economy, Enterprise and Housing Portfolio Holder seconded them.

Summary of options rejected None

DECISION

That the Executive:

1. Had considered the proposed revised Housing Renewal Assistance Policy 2022 at Appendix 1 of report GD.70/21.
2. Referred the Housing Renewal Assistance Policy 2022 to Council in accordance with the Council's Budget and Policy Framework.

Reasons for Decision

The revised Housing Renewal Assistance Policy 2022 will assist in ensuring that best use is made of the DFG capital funding making use of existing capacity and expertise within the Housing and Pollution and Homelife teams.

The introduction of flexibility into the assistance process is being promoted as good practice nationally and in line with government and local policies.

EX.160/21 TULLIE HOUSE BUSINESS PLAN 2021 - 2030 (22/23 REVISION)

(Key Decision KD.24/21)

**(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Culture, Heritage and Leisure

Relevant Scrutiny Panel Health and Wellbeing

Subject Matter

The Culture, Leisure and Heritage Portfolio Holder presented report CS.46/21, the purpose of which was to introduce and allow consideration of the Tullie House Museum and Art Gallery Trust 2022/23 Business Plan in order that the Council may, in due course, agree core funding for the Trust. That was in line with Section 5 of the Partnership Agreement between the Council and Tullie House Trust, which stated that the Business Plan submitted by the Trust

should be used as the basis for agreeing future years funding.

Details of the background position; core grant; lease arrangements; building and collection financial implications; impact of COVID-19 and impact of the proposals put forward by Tullie House Trust were provided within the report.

The Culture, Leisure and Heritage Portfolio Holder noted that the proposed Business Plan contained assumptions based on the success, or otherwise, of a number of grant funding applications. He thanked City Council officers for their continuing work in assisting and supporting Tullie House in application processes.

The Health and Wellbeing Scrutiny Panel had received the Business Plan on 25 November 2021 (HWSP.76/21 referred).

The Chair of the Health and Wellbeing Scrutiny Panel had been invited to speak but was not in attendance today.

The Culture, Heritage and Leisure Portfolio Holder moved that the Business Plan be referred to Council for agreement. The Environment and Transport Portfolio Holder seconded the recommendation.

Summary of options rejected that the Business Plan should not be referred for scrutiny

DECISION

Had reviewed the Tullie House Business Plan before making recommendations to full Council for consideration. (CS.46/21)

Reasons for Decision

The recommendations allowed the report, the associated Business Plan and core funding to be approved in line with the Partnership Agreement.

EX.161/21 FUTURE HIGH STREET PROGRAMME GOVERNANCE AND DELIVERY - DEVONSHIRE STREET AND MARKET SQUARE PROJECTS

(Key Decision KD.20/21)

Portfolio Leader / Economy, Enterprise and Housing

Relevant Scrutiny Panel Economic Growth

Subject Matter

The Economy, Enterprise and Housing Portfolio Holder submitted report ED.33/21 outlining the governance arrangements in place for the Future High Street Fund (FHSF) Programme. The report requested approval to take forward two of the projects, pedestrian enhancement of Devonshire Street and reimagining Greenmarket / Market Square as Carlisle's event space, through a grant funding agreement with Cumbria County Council to manage and deliver the projects.

Carlisle City Council was the accountable body for the FHSF Programme delivery and as such the Council would make the ultimate decisions in delivery of the programme, however,

consideration of the views of the Cumbria County Council's Local Area Committee was required in reference to the two highways related projects. This ensured that the FHSF programme was ultimately accountable to the Council's elected members, who would monitor spending, delivery progress and support in the management of any risks through the Council's governance structure.

The governance structure for the FHSF Programme as set out in the business case was outlined in section 2.1.2 of the report.

Although Carlisle City Council was the lead Council, Cumbria County Council would manage the delivery of the two projects as Highways Authority. A grant funding agreement had been drafted and outlined the responsibilities of both authorities with respect to the use of the grant for the delivery of two projects. The agreement outlined the trigger points for the drawdown of the grant funding to the County Council.

The Economy, Enterprise and Housing Portfolio Holder thanked the Economic Development team for their excellent work on the projects.

The Economy, Enterprise and Housing Portfolio Holder moved the recommendations as set out in the report and the Communities, Health and Wellbeing Portfolio Holder seconded them.

Summary of options rejected Not to continue with the Future High Street Fund projects

DECISION

That the Executive:

1. Considered and approved the Future High Street Programme Governance arrangements as set out in report ED.33/21.
2. Give approval to enter into a grant funding agreement with the Cumbria County Council to deliver two of the Future High Street funded projects:
 - a. Pedestrian Enhancement of Devonshire Street – the County Council would manage and deliver the project as outlined in the grant funding agreement for this project; and
 - b. Reimagining Greenmarket / Market Square as Carlisle's event space – both councils would co-produce this project in terms of design, the County Council would manage and deliver this project as outlined in a co-operation and grant funding agreement.

The final terms of the grant funding agreements for the two projects to be agreed by the Corporate Director of Economic Development following consultation with the Corporate Director of Finance and Resources, Corporate Director of Governance and Regulatory Services, Portfolio Holder for Economic Development and the Leader of the Council and subject to the project being assured by the governance structure.

3. Agreed to the redistribution of the funding to be undertaken by the Corporate Director of Economic Development following consultation with the Corporate Director of Finance and Resources.

Reasons for Decision

To meet strategic objectives of the Carlisle Future High Street Fund and move forward with the four projects which had £9.1m of funding awarded to them.

EX.162/21 RELEASE AND REPAYMENT TERMS OF THE ONE PUBLIC ESTATE SUSTAINABLE GRANT PROVISION

(Key Decision)

(The Leader agreed to this Key Decision item being considered at this meeting, although not in the Notice of Executive Key Decisions)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted a report seeking the Executive's approval to act as Lead Body (equivalent to Accountable Body) on the Cumbria One Public Estate sustainable grant funding project and agree to release grant funds in the manner set out in report CS.48/21 and the appended draft grant funding agreement.

The One Public Estate (OPE) programme was a partnership between the Office of Government Property (OGP) in the Cabinet Office, the Local Government Association (LGA) and the Department for Levelling Up, Housing and Communities (DLUHC). The collective aim of the partnership was to bring public sector bodies together; to create better places by using public assets more efficiently, creating service and financial benefits for partners; and releasing public land for housing and development.

During late 2019 the OPE Cumbria Partnership applied for further funding under ninth round of the programme. This application was approved and an award of £360,000 was made to the partnership to assist with the delivery of the programme. This award was also accepted via an Officer Decision Notice in February 2021. The allocation and grant arrangements for this project were proposed to be via the OPE Programme Board with Carlisle City Council acting as the accountable body.

The scheme required the release of funds from the £300,000 partnership funding currently being held by Carlisle City Council. To facilitate the release and protect the Council from risks associated with the repayment of the sustainable grant a Grant Funding Agreement had been drafted to ensure good governance and bind the receiving body (Morecambe Bay NHS Foundation Trust) to repaying this grant before the City Council was required to repay this to OPE.

The Finance, Governance and Resources Portfolio Holder moved, and the Leader seconded, the recommendations.

Summary of options rejected

That Carlisle City Council not act as Lead Body on the Cumbria OPE 8 sustainable funding project.

DECISION

That the Executive

1. Give authority for the Council to act as Lead Body (equivalent to Accountable Body) on the Cumbria OPE 8 sustainable grant funding project to deliver NHS services within local authority owned leisure facilities.
2. Reviewed the proposed arrangements set out in report CS.48/21 and the appended grant

funding agreement and approved the release of OPE funds to enable timely delivery of the project objectives.

3. Delegated the approval of future grant funds and repayment arrangements under this OPE round to the Deputy Chief Executive in consultation with the Portfolio Holder for Finance, Governance and Resources.

Reasons for Decision

The OPE programme represented an important step forward in determining the future use of public sector assets and property. This OPE grant provides a key opportunity to develop new joint service arrangements that would support the county Public Health Strategy and more efficient property use arrangements.

The risks associated with the allocation of these grants would be mitigated by the deployment of a Grant Funding Agreement to govern the payment and repayment of the funds.

EX.163/21 NOTICE OF EXECUTIVE KEY DECISIONS

(Non Key Decision)

Portfolio Cross Cutting

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

The Notice of Executive Key Decisions published on 19 November 2021 was submitted for information.

Summary of options rejected none

DECISION

That the Notice of Executive Key Decisions dated 19 November 2021 be received.

Reasons for Decision Not applicable

EX.164/21 SCHEDULE OF DECISIONS TAKEN BY OFFICERS

(Non Key Decision)

Portfolio Cross Cutting

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Details of decisions taken by Officers under delegated powers were submitted.

Summary of options rejected none

DECISION

That the decisions, attached as Appendix B, be noted.

Reasons for Decision Not applicable

EX.165/21 JOINT MANAGEMENT TEAM

(None Key Decision)

Portfolio Cross Cutting

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

The Minutes of the meeting of the Joint Management Team held on 22 November 2021 were submitted for information.

Summary of options rejected none

DECISION

That the Minutes of the meeting of the Joint Management Team held on 22 November 2021, attached as Appendix C, be received.

Reasons for Decision Not applicable

EX.166/21 DATES AND TIMES OF MEETINGS 2022/23

(Non Key Decision)

******(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Cross Cutting

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

The Leader submitted GD.89/21 concerning proposed dates and times of meetings of the City Council, Executive, Scrutiny Panels. Audit Committee and the Regulatory Committees for the 2022/23 municipal year.

The Leader then moved the recommendations and the Economy, Enterprise and Housing Portfolio Holder seconded them.

Summary of options rejected none

DECISION

1. That the City Council be requested to agree the schedule of dates and times of meetings in the 2022/23 Municipal Year as set out in the calendar attached as an Appendix to Report GD.89/21.
2. That the dates and times for meetings of the Executive, which had been chosen by the Leader, be noted.

EX.167/21 QUARTER 2 PERFORMANCE REPORT 2021/22

(Non Key Decision)

Portfolio Finance, Governance, Resources

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted report PC.41/21 containing the Quarter 2 performance against the current Service Standards, together with an update on the delivery of the Carlisle Plan 2021-23 actions as defined in the Plan. Performance against the 2021/22 Key Performance Indicators was also included.

The Health and Wellbeing; Economic Growth and Business and Transformation Scrutiny Panels had scrutinised performance at their meetings held on 25 November; 2 December and 7 December 2021 respectively.

Excerpts from the Minutes of those meetings (HWSP.85/21; EGSP.79/21 and BTSP.94/21) were also submitted.

The Finance, Governance and Resources Portfolio Holder moved the recommendation which was seconded by the Leader.

Summary of options rejected none

DECISION

That the Executive had considered the performance of the City Council as presented in Report PC.41/21 with a view to seeking continuous improvement in how the Council delivered its priorities.

Reasons for Decision

To seek Executive's consideration of the performance of the City Council as presented in the report.

EX.168/21 PUBLIC AND PRESS

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following

items of business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraph numbers (as indicated in brackets against the minutes) of Part 1 of Schedule 12A of the 1972 Local Government Act.

EX.169/21 CITADELS PROJECT

(Key Decision KD.23/21)

(Public and Press excluded by virtue of Paragraph 3)

Portfolio Leader

Relevant Scrutiny Panel Economic Growth

Subject Matter

The Leader submitted proposals for the redevelopment of the Citadels and approve the land assembly activity required by the Council to enable the delivery of scheme. (ED.41/21).

The report provided an overview of the project and the role of the City Council to enable its deliver. The Council had led on the development of the land assembly strategy, which was fundamental to the delivery the project. There were a number activities within this workstream as detailed within the report.

The Leader moved, and the Finance, Governance and Resources Portfolio Holder seconded, the recommendation.

Summary of options rejected not to move forward with the Citadels project

DECISION

1. That the Executive, subject to the Scheme retaining the old Woolworth's building facade:
 - (a) Approved the disposal of the Old Gaol site (English Street and Victoria Viaduct properties), as identified in the plan attached in appendix 1 of report ED.41/21, to the University of Cumbria (UoC) at market value on final terms to be agreed by the Head of Property Services following consultation with the Leader of the Council and the Corporate Directors of Economic Development and Governance & Regulatory Services. The disposal would be subject the following conditions being satisfied by the UoC:
 - i. Full planning permission being granted.
 - ii. Completion of CPO process (as required).
 - iii. Acquisition of the long leasehold interests in the Old Gaol site.
 - iv. Completion of a grant funding agreement with the Accountable Body (Northumberland County Council)
 - (b) Approved the commencement of the preparatory work for the making of a CPO in respect of the properties within the Development Site which cannot be acquired through private negotiation identified in Appendix 2 and continue to engage the external consultants Gately Hamer to support this work subject to the University agreeing to cover any costs incurred by the council in connection with this appointment under the Indemnity Agreement (any costs which are not covered by the current LEP funding).
 - (c) Agreed to enter into an Indemnity Agreement with the University of Cumbria, with final terms to be agreed by the Corporate Director of Economic Development following consultation with the Leader of the Council and the Corporate Director of Governance & Regulatory Services
 - (d) Agreed to enter into a Co-operation Agreement with the University of Cumbria and Cumbria County Council final, with final terms to be agreed by the Corporate Director

of Economic Development following consultation with the Leader of the Council and the Corporate Director of Governance & Regulatory Services.

2. That the Executive noted the work undertaken to date with regards to the negotiations with leaseholders to acquire the leases on the English Street / Victoria Viaduct properties to achieve vacant possession.

Reasons for Decision

As detailed within the report.

The Meeting ended at: 16:19

Carlisle City Council

Report to Executive

Item
A.2 (a)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	BUDGET UPDATE – REVENUE ESTIMATES 2022/23 TO 2026/27
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 64/21

Purpose / Summary:

This report provides an update to RD46/21 and RD52/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes.

Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report now incorporate the provisional finance settlement received on 16 December 2021.

Recommendations:

The Executive is requested to:

- note the revised base estimates for 2021/22 and base estimates for 2022/23;
- note that the estimates in the report are provisional and will be subject to the confirmation of the final Local Government Finance Settlement in January/February 2022;
- note the current MTFP projections and the outstanding issues, which will continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
- note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process.

Tracking

Executive:	19 January 2022
Scrutiny:	Not applicable
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2021/22 together with the estimates for 2022/23. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 14 September 2021:
- ◆ Medium Term Financial Plan and Charging Policy
 - ◆ Capital Strategy
 - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:
- Ongoing impact of COVID-19;
 - Local Government Finance Settlement – provisional figures announced on 16 December 2021 with final figures due in January/February 2022;
 - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
 - Future borrowing requirements;
 - Commercial and investment opportunities;
 - Local Government Reorganisation.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2022.

2. SUMMARY OF BASE BUDGET ESTIMATES

- 2.1 The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.
- 2.2 The table below sets out the base level General Fund requirement for 2021/22 and 2022/23 with projections to 2026/27. The 2021/22 variance reflects the use of

earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Net Base Budget Parish Precepts (PP)		13,381 708	16,063 708	12,864 726	12,959 744	13,127 763	13,434 782	13,679 802
Total		14,089	16,771	13,590	13,703	13,890	14,216	14,481
Original MTFP Projections		14,089	15,901	13,590	13,703	13,890	14,216	14,481
Variance		0	870	0	0	0	0	0
Analysis of Variance:								
Non-Recurring:								
Cremator Replacement Reserve			(41)					
Revenue Grants Reserve			380					
Planning Services Reserve			(19)					
Economic Recovery Reserve			50					
LGR Reserve			500					
Total Variance		0	870	0	0	0	0	0

- 2.3 Members will be aware from the revenue monitoring report that there continues to be some income streams that have not fully recovered from the effects of the pandemic and there may be other cost pressures or savings which may have a recurring impact; many of these are in relation to the recovery from the COVID-19 pandemic and the impact it is continuing to have on Council services.

3. OUTSTANDING KEY ISSUES

3.1 Spending Review/provisional settlement

The Spending Review (and Budget) for 2022/23 was announced on 27 October. There was confirmation that there would be additional funding available to the Local Government sector of £4.8billion over the forthcoming 3-year period (£1.6billion per year) for social care and other services. Individual allocations for this funding have been confirmed in the Provisional Local Government Finance Settlement announced in December 2021.

There will also be additional funding of £639million to tackle rough sleeping allocated through the Homelessness Prevention Grant.

There will be £300million funding for local government to implement free, separate food waste collections in every local authority in England from 2025.

Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. The figures incorporated into this report now reflect the provisional funding settlement, announced on 16 December, for 2022/23 with a more detailed report and analysis of what this means for the Council being considered elsewhere on the agenda (RD67/21). Due to the COVID-19 pandemic, reform to the local government funding model (Fair Funding Review & Business Rates Retention) has yet again been put on hold. **The final settlement figures will be available following the consultation process which concludes on 13 January 2022.**

Retained Business Rates

The Business Rate Baseline figure is assumed at an inflationary increase for 2022/23 with reduced projections for growth and pooling built into the MTFP from 2022/23 on the basis that the Business Rates Reforms would have been announced. However, as mentioned above, the reforms of the Retained Business Rates Retention Scheme have again been deferred and DLUHC announced on 10 November that the government has now abandoned plans to allow councils to retain 75% of their business rates as it would conflict with their agenda for 'levelling up'. Instead, the government will now look at the mechanism for redistributing funding to the authorities most in need.

DLUHC has decided not to revoke the existing legislation governing pooling arrangements and therefore the Council is able to continue to be a member of the Cumbria Business Rates Pool for 2022/23, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2022/23 are set out further in this report.

There will be a freezing of the Business Rates Multiplier for 2022/23 so that there will be no inflationary increase in the amount of rates that are payable by businesses. This multiplier increase is also applied to the Business Rate Baseline level the Council budgets for. This 'loss' in baseline has been compensated for via a 'Multiplier Grant' as part of the provisional Local Government Finance Settlement.

There will also be a 50% Business rate relief in 2022/23 for retail, hospitality and leisure sector up to a cap of £110,000. The Council will be compensated for this loss of income through a fully funded S31 grant.

Council Tax

The Government has proposed that the referendum limit will remain as is for Council Tax increases. District councils will be given the option of raising Council Tax by the greater of 2% or £5. This will be subject to final confirmation in January/February 2022.

Pay Award 2021/22 & 2022/23

The MTFP currently assumes a 2% pay award increase from 2021/22 onwards; however, for 2021/22 there has yet to be an agreement on the level of the pay award. For 2022/23, the Spending Review announced that the freeze on Public Sector pay increases was to be lifted from April 2022. An increase of 1% equates to an additional £161,000 per annum.

The National Living Wage will increase from £8.91 to £9.50 per hour. The Council adopted the foundation living wage and have been paying its grade A staff £9.50 since January 2021. The annual foundation living wage increase has been announced and is now set at £9.90 which the Council will implement in January 2022.

Resource Assumptions

The current resources projections assume:

- A nil (Band D equivalent) Council Tax increase for 2022/23 with a £5 per year increase from 2023/24 onwards as detailed in the Executives' budget proposals .
- A Council Tax deficit for 2022/23 and 2023/24 of £41,000, with a £50,000 surplus from 2024/25. **Under statute, this this figure cannot be calculated until 15 January and further information on the effect any changes will have on the budget will be provided when available.**
- Retained business rates for 2022/23 reflect the provisional local government finance settlement received in December and for future years are assumed at the Baseline level with an inflationary increase, with an additional sum to be achieved through growth/section 31 grants and from the benefits of Pooling in 2022/23;
- An assumed tax base of 35,013.07 for 2022/23. **The final tax base for 2022/23 will not be available until mid-January and further information will be provided when available.**
- Parish Precepts are currently being collated but the estimate for 2022/23 is for a total of £726,000. **The actual Parish Precept requirement for each Parish will be incorporated into the Executive's budget proposals tabled in January.**

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each £35,000 increase or decrease in expenditure impacts on the Council Tax requirement by £1.

Local Environment Strategy

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

4. POTENTIAL NEW SPENDING PRESSURES/BIDS

- 4.1 In light of the current position in the MTFP, there are some potential new spending pressures and bids that need to be considered.

There may be other pressures on the revenue budget as highlighted within the revenue monitoring reports, which may have a recurring impact; however, officers are reviewing the existing base budget provisions to ensure that the services can be provided within these budgetary provisions and also contribute towards the savings target.

The figures contained within the table overleaf have been subject to review to determine the recurring/non-recurring nature of the pressures in terms of economic recovery. The Treasury Management estimates, which assumes a significant level of external borrowing, will continue to be reviewed in the light of the Council's cash position, the capital programme expenditure profile and the impact of Local Government Reorganisation in order to mitigate any unnecessary debt liability falling on the new Authority. If any further figures are amended these will be reported via the Executive's budget proposals issued in January.

Detail		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Recurring						
ICT	4.2	160	160	160	160	160
Pest Control Income Shortfalls	4.3	12	13	15	16	18
Developer Contributions	4.4	19	0	0	11	(41)
Gateway 44 Income Shortfalls	4.5	523	487	342	262	262
Energy Costs	4.6	180	123	123	123	123
Revenue Financing Capital Programme	4.7	26	26	26	26	26
Treasury Management	4.8	277	430	383	214	126
Total Recurring Pressures		1,197	1,239	1,049	812	674
Non Recurring						
District Centre Business Support Fund	4.9	40	0	0	0	0
Homelessness Accommodation Income Shortfalls	4.10	102	0	0	0	0
Car Parking Income	4.11	300	200	200	0	0
Reprofiling of savings target	4.12	1,200	0	0	0	0
Lanes Income	4.13	500	400	330	0	0
Carlisle Local Focus Hub	4.14	55	55	0	0	0
Total Non Recurring Pressures		2,197	655	530	0	0

4.2 ICT – Additional Expenditure - £160,000 recurring bid

This proposal seeks additional revenue funding to invest in ICT and includes additional resources for the IT Helpdesk (£38,700), licence costs for wi-fi improvements (£5,600), network security (£2,700) and telephony (£24,000). A base budget review has also been undertaken that has identified a net budgetary shortfall for current IT costs (£49,300) and a savings requirement of £40,100 that cannot be achieved.

4.3 Pest Control - £12,000 recurring pressure, rising to £18,000 recurring pressure

This pressure is as a result of removing the domestic charge for the treatment of rats from the Council's charging policy as detailed in report GD55/21 considered by the Executive in November.

4.4 Developer Contributions - £19,000 reprofiling pressure

The MTFP assumes an income stream from developers, particularly from the establishment of the Garden Village. A re-profiling exercise has been undertaken to ensure the MTFP reflects the level of income that can actually be achieved.

4.5 Gateway 44 - £523,000 recurring pressure, reducing to £262,000 recurring pressure

Covid-19 has had a major impact on the retail sector and although out of town big box retail has fared better than traditional town centre retailing there has still been a hit on rental levels and potential tenants have suffered financial difficulties.

Agreements have been reached with tenants however rental levels are lower than originally anticipated and the extended marketing period has resulted in a longer void period than originally anticipated. The overall income now anticipated to be achieved by 2025/26 taking into account these pressures will still be £615,000, which represents an 11.2% return on the capital investment made.

4.6 Gas and Electricity Costs – £180,000 – Recurring pressure reducing to £123,000 recurring pressure from 2023/24

This additional cost arising due to the current global situation with wholesale energy costs. The Council procures its energy through the County Council framework and has received notification of a potential 55% increase in gas costs for 2022/23 and 38% in electricity costs, with both reducing to a 25% increase (on 21/22 levels) from April 2023.

4.7 Direct Revenue Financing of capital programme - £26,000 recurring pressure

The waste service contributes revenue financing for the replacement of vehicles, however, there is a shortfall on the available budget that cannot be achieved.

4.8 Treasury Management

Treasury Management projections have been updated to include updates to the Capital programme (contained elsewhere on this agenda) and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to partially cover this additional pressure over 2022/23 (£277,000) and 2023/24 (£323,000).

4.9 District Centre Business Support Fund – Additional Expenditure - £40,000 - Non-Recurring

This proposal involves the continuation of the pilot project for a further year and will be extended to the district centres and will address the issue of empty shops, which is becoming an increasing problem in the market towns and neighbourhood parades.

4.10 Homeless Accommodation – Income shortfall - £102,000 non-recurring pressure

There is a shortfall in income from homeless accommodation mainly due to reduced capacity and restrictions placed upon the accommodation as a result of COVID-19.

4.11 Car Parking income shortfalls - £300,000 – non-recurring pressure, reducing to £200,000 non-recurring pressure

Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks, especially during the pandemic. However, it has been assumed that the economy will recover, and income targets will also recover by 2025/26. This pressure also absorbs the proposal, following budget scrutiny, that parking charges be frozen for the first hour and also that a review of the use of permits at Talkin Tarn is undertaken.

4.12 Reprofiting of savings target

The current MTFP assumes a recurring savings requirement to be found by 2023/24 of £2.050million. This continues to be the case; however, the reprofiling of this target, now means that no in year savings are required for 2022/23.

4.13 Lanes Income - £500,000 non-recurring pressure reducing to £330,000 non-recurring pressure

The economic impact on the high street, both pre-COVID and post COVID and the vacation of Debenhams has resulted in income from the Lanes being severely diminished. There will be a period where increased holding costs of vacant units will be incurred and therefore the Council's share of income will be reduced. This pressure anticipates a slow return to the income levels currently included in the MTFP.

4.14 Carlisle Local Focus Hub

In parallel with this year's preparations for agreeing a revenue budget, work has been undertaken to establish the potential for developing the Carlisle Local Focus Hub and better aligning this with the Carlisle and Eden Community Safety Partnership strategic requirements.

It is proposed that a two-year fixed term post be created to manage the Local Focus Hub and support the transition of the Carlisle and Eden Community Safety Partnership as the new unitary arrangements are brought into being. The costs of this fixed-term post are approximately £55,000 including all on costs. A further report to Executive will confirm the details of these proposals in early 2022.

5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

5.1 Further savings/additional income have been identified in the budget process for 2022/23 as follows:

Detail	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Changes to Funding						
Released from Earmarked Reserve - Operational Risk Reserve (Treasury Mgt)	5.2	(277)	(323)	0	0	0
Release from Earmarked Reserve - Operational Risk Reserve (Covid)	5.2	(500)	0	0	0	0
Council Tax Freeze 2022/23	5.3	175	176	179	180	183
Business Rate Income	5.4	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
Business Rates Multiplier Compensation	5.5	(97)	(98)	(100)	(102)	(104)
Business Rates Baseline	5.6	66	67	68	70	71
Total Changes to Funding		(2,433)	(1,178)	(853)	(852)	(850)
<u>Expenditure Reductions / Increased Income</u>						
Flare Data Management System	5.7	(16)	(16)	(16)	(16)	(16)
Lower Tier Services Grant	5.8	(150)	0	0	0	0
Rural Services Grant	5.9	(193)	0	0	0	0
Services Grant 2022/23	5.10	(230)	0	0	0	0
New Homes Bonus	5.11	(1,022)	0	0	0	0
Total of Savings		(1,611)	(16)	(16)	(16)	(16)
Total Recurring		(16)	(16)	(16)	(16)	(16)
Total Non-Recurring		(1,595)	0	0	0	0

5.2 Released from Earmarked Reserves

It is recommended to release the amounts held in the Operational Risk Reserve for Treasury Management (£600,000) and COVID costs (£500,000). The Treasury Management amount was set aside from savings on interest payments in 2020/21 to be utilised for any additional borrowing costs. It is recommended to release this in line with the Treasury Pressure identified at 4.1.

The amount set aside in the reserve for COVID costs was to be utilised if there were any additional costs incurred in 2021/22 for COVID. However, the additional costs are currently being contained within the overall agreed budget for 2021/22 and the additional funding received from Government. It is therefore recommended to release this reserve to offset the increased pressures identified in 4.1.

This has the impact of releasing £777,000 in 2022/23 and £323,000 in 2023/24.

5.3 Council Tax Freeze 2022/23

This reduction to the funding is as a result of the Executive's decision to freeze Council Tax at 2021/22 levels for 2022/23 as detailed in their draft Budget issued for Consultation.

5.4 Business Rates Income (including Pooling)

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2022/23 now that the DLUHC has agreed not to revoke the current legislation, and all participating members have initially agreed that the pool continues in its current format. The current MTFP assumes the baseline level of funding from Business Rates as set by Government. On top of this, a recurring £900,000 is included for additional income retained over and above the baseline. Based on historic income levels and those projected in the NNDR1 forms, there is scope to increase this amount. By participating in the pool for 2022/23, there is an expectation of a benefit of approximately £800,000. The level of retained income per the NNDR1 submissions also provides scope to increase the base budget (over the baseline level) by a further £1,000,000 per year. For 2022/23 there would therefore be an expectation of an additional £1.8m above the current assumptions in the MTFP.

5.5 Business Rate Multiplier Compensation

There is an increase in the Business Rate Multiplier compensation given to the Council in the draft Local Government Finance Settlement as a result of the decision not to apply any inflationary uplift to business rates.

5.6 Business Rates Baseline

As a result of there being no inflationary uplift to business rates, the baseline position subsequently does not increase by inflation as had been assumed in the MTFP.

5.7 Replacement of Flare Data Management System – Saving - £16,000 recurring

The capital programme includes provision of £150,000 for the replacement of the system used in regulatory services. However, with Local Government Reorganisation on the horizon, it is deemed not necessary to replace this system at this time. Therefore, there is a saving on the additional revenue costs that would have been incurred from implementing the system.

5.8 **Lower Tier Services Grant**

An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

5.9 **Rural Services Grant**

A further allocation of the Rural Services Delivery Grant as outlined in the draft Local Government Finance Settlement for 2022/23.

5.10 **Services Grant 2022/23**

A new one-off un-ringfenced grant will be received to support Councils delivery of front-line services. Allocations for future years will be determined after consultation with the sector.

5.11 **New Homes Bonus**

A one-year allocation of New Homes Bonus has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations and these are already included in the MTFP.

6. **PROJECTED IMPACT ON RESERVES AND BALANCES**

6.1 It should be noted that if all of the potential new Savings and Spending Pressures were accepted then reserves may fall below acceptable minimum levels over the five-year period.

6.2 The general principles on each of the Reserves are set out in the Medium-Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

‘Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years’.

6.3 The Council’s current levels of balances are set out in **Appendix A** and include any impact of the proposed pressures and savings outlined in this report. The Projects Reserve will be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves is dependent upon the achievement of the transformation savings from 2023/24. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be £3.1million due to uncertainties around future funding from Business Rates.

Summarised Position	2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Total Projected Expenditure	13,381	16,063	12,864	12,959	13,127	13,434	13,679
Total Projected Resources	(13,381)	(16,063)	(12,393)	(12,721)	(13,146)	(13,486)	(13,832)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	471	238	(19)	(52)	(153)
Less:							
New Saving Proposals							
- Recurring	0	0	(16)	(16)	(16)	(16)	(16)
- Non Recurring	0	0	(1,595)	0	0	0	0
- Business Rates	0	0	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
- Business Rates Baseline / Multiplier	0	0	(31)	(31)	(32)	(32)	(33)
- Released from Earmarked Reserves	0	0	(777)	(323)	0	0	0
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	1,197	1,239	1,049	812	674
- Non Recurring	0	0	2,197	655	530	0	0
- Council Tax Freeze	0	0	175	176	179	180	183
(See Para 5)							
Potential Budget (Surplus) / Shortfall	0	0	(179)	938	691	(108)	(345)
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	(232)	333	(29)	(108)	(345)
- Non Recurring	0	0	53	605	720	0	0

7. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2022/23 to 2026/27

- 7.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to enable the Council to contain its ongoing commitments within available resources, notwithstanding the on-going impact of COVID-19 and LGR in Cumbria, over the lifetime of the MTFP.

- 7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact of a further one-year settlement for 2022/23 also adds to the challenges of securing a balanced 5-year MTFP.
- 7.3 In terms of expenditure pressures, again notwithstanding the impact of COVID-19 on the Council's budgets and economic recovery in general and the impact of LGR, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of business rate retention and any burdens which may transfer as a result.
- 7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2023/24 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2022/23 will provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.
- 7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive made recommendations in this respect in December.
- 7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing.
- 7.7 **Local Government Reorganisation**
Local Government Reorganisation for Cumbria is now progressing, and the Programme Board have agreed that there will be a requirement to establish funding for the transition costs. For the six District Councils this could be as much as £1.576m each. Although the Council set aside £500,000 in earmarked reserves for LGR at the end of 2020/21, this will be retained in order to fund any costs which the Council may incur itself and therefore outwith the eligibility criteria for the Cumbria Wide Implementation Reserve. Therefore up to £1.6million is needed to ensure that funds are available to support the implementation work and it is proposed that this be funded from existing earmarked reserves – this was approved by full Council in January 2022.

The Council will be approving its budget for 2022/23 in February 2022, so any information provided in this report for 2023/24 onwards is for illustrative purposes only, which will become the responsibility of the new Cumberland Council.

8. RISKS

- 8.1 As outlined above the Council has a statutory responsibility to set a balanced budget and failure to do this could lead to unfunded financial pressures on the Council.

9. CONSULTATION

- 9.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 6 January 2022, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 20 December and 17 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 19 January.

10. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 10.1 The Executive is requested to:
- note the revised base estimates for 2021/22 and base estimates for 2022/23;
 - note that the estimates in the report are provisional and will be subject to the confirmation of the final Local Government Finance Settlement in January/February 2022;
 - note the current MTFP projections and the outstanding issues, which will continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
 - note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process.

11. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 11.1 To ensues that a balanced budget is set.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Council Reserves
- Appendix B – Draft Statutory report of S.151 Officer

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - There are no Property implications

Finance - contained within the body of the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

COUNCIL RESERVES

Analysis of Council Reserves		Outturn 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000	Projected 31 March 2027 £000
Revenue Reserves								
General Fund Reserve		(3,100)	(3,100)	(3,100)	(2,704)	(2,013)	(2,121)	(2,466)
Projects Reserve		(1,708)	(363)	(542)	0	0	0	0
Carry Forward Reserve		(628)	(628)	(628)	(628)	(628)	(628)	(628)
		(5,436)	(4,091)	(4,270)	(3,332)	(2,641)	(2,749)	(3,094)
Cremator Replacement Reserve		(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve		(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(i)	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(i)	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings		(1,600)	0	0	0	0	0	0
Operational Risk Reserve - LGR		(500)	0	0	0	0	0	0
Building Control Reserve		(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(ii)	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve		(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve		(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve		(359)	0	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve		(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve		(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve		(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve		(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve		(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves		(22,314)	(8,258)	(6,760)	(5,499)	(4,808)	(4,916)	(5,261)
Capital Reserves								
Usable Capital Receipts		0	0	0	0	0	0	0
Unapplied capital grant		(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve		(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves		(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves		(22,530)	(8,366)	(6,883)	(5,637)	(4,961)	(5,084)	(5,444)
Other Technical Reserves	(iii)	(105,815)						
Total All Reserves		(128,345)						

- (i) These reserves are to be released to General Fund in 2022/23 and 2023/24
- (ii) Economic Growth Scrutiny Panel requested that consideration be given to this reserve being used to enhance planning enforcement and tree preservation matters
- (iii) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

DRAFT STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. **Robustness of the Estimates**

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Strategic Financial Planning Group prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Savings programme is expected to achieve savings of £2.050million by 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. This will ensure that a balanced 5-year budget is produced and where Council reserves are replenished over the longer term (subject to the impact of LGR).
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risk to the robustness of the estimates contained within the 5-year MTFP is the continued uncertainty regarding the Fair Funding Review and Business Rates Retention Review. Economic recovery following COVID-19 and the impact this has on costs and inflationary assumptions is also a significant risk. The implementation of Local Government Reorganisation in Cumbria will also impact on the level of earmarked reserves held by the Council, and the 5-year MTFP has been prepared in order to achieve financial sustainability for the new organisation post April 2023.

There will be a requirement to use reserves in the short term; however, proposals must put in place to ensure that reserves will rise over the following 5-year period to minimum levels to inform and sustain the new Unitary Council.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Savings programme is imperative during this period. The level of the Council's future Capital Programme, taking account of a significant reprofiling in capital receipts, is fully funded but includes a significant borrowing requirement over the five-year period. The Capital Programme includes plans to sell further assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.

- Central contingencies – there have been no contingency budgets built into the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium-Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer-term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.1million as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st March 2023 will be maintained at prudent levels. It is accepted that the level of reserves is reliant on the delivery of the transformation savings and achievement of income targets and government funding.

3. Determination of Borrowing

The Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2022/23 to 2026/27 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out. The financial sustainability and level of debt for the new Unitary Authority will be a consideration especially in terms of the timing of any external borrowing undertaken.

Carlisle City Council Report to Executive

Item
A.2 (b)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD 65/21

Purpose / Summary:

The report provides an update to RD47/21 and RD55/21 and sets out the proposed capital programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	19 January 2022
Scrutiny:	Not applicable
Council:	1 February 2022 (Budget Resolution)

1. Background

- 1.1. This report details the revised capital programme for 2021/22 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2. The report also details the capital spending proposals for 2022/23 to 2026/27, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3. The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 14 September 2021:
 - Capital Investment Strategy 2022-23 to 2026-27 (Report RD37/21)
 - Asset Management Plan (Report GD58/21)
- 1.4. A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. Capital Resources

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
 - Borrowing (Prudential Code - see paragraph 6.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £50,000. This is made up of £20,000 for the cost of the interest payable (2% of £1m equates to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. Revised Capital Programme 2021/22

- 3.1 The capital programme for 2021/22 totalling £28,057,900 was approved by Council on 20 July 2021 as detailed in the 2020/21 out-turn report (RD16/21).
- 3.2 The revised capital programme for 2021/22 now totals £32,657,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2021/22 is shown below:

Summary Programme	£	Appx
2021/22 Original Capital Programme	28,057,900	A
Other adjustments	4,599,500	
Revised Capital Programme (Dec 2021)	32,657,400	A
Estimated Capital Resources available	(3,862,495)	B
Potential Borrowing Requirement	28,794,905	

4. Capital Spending Proposals 2022/23 to 2026/27

- 4.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from 'new' capital receipt generation will incur a borrowing requirement.

Capital Scheme	App/ Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,221	1,772	1,680	1,166	888
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,900	1,900	1,900	1,900	1,900
ICT Infrastructure	4.5	76	131	101	101	101
Leisure Facilities	4.6	3,450	0	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Crematorium Infrastructure	4.8	900	0	0	0	0
Future High Street Fund	4.9	3,653	4,325	0	0	0
Flare Data Management System	4.10	150	0	0	0	0
Carlisle Southern Relief Road	4.11	5,000	0	0	0	0
Carlisle Sustainable Warmth	4.12	17,745	0	0	0	0
Total Existing Commitments		34,390	8,423	3,976	3,462	3,184
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	(35)	360	(541)	0	325
ICT Infrastructure	4.5	334	(131)	(26)	0	0
Crematorium Infrastructure	4.8	875	875	0	0	0
Flare Data Management System	4.10	(150)	0	0	0	0
Sands Car Park Resurfacing	4.13	210	0	0	0	0
Swifts Car Park Resurfacing	4.14	200	0	0	0	0
Total New Spending Proposals		1,434	1,104	(567)	0	325
Total Potential Programme		35,824	9,527	3,409	3,462	3,509

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000, with further details provided in GD79/21 considered by Executive on 22 November 2021.
- 4.4 Disabled facilities grant allocation will not be known until early into 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the anticipated budgets for improvements and developments to the Council's ICT infrastructure following a review of requirements.

- 4.6 This is the continuation of the provision of new leisure facilities at the Sands Centre.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 To provide new infrastructure for the crematorium including replacement cremators. The current commitment of £900,000 in 2022/23 is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

The new spending proposal (£1.75m) for the replacement of the cremators refers to replacing gas powered cremators with electric powered ones which will help to reduce the amount of CO₂ produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provides additional funding to upgrade the building facilities at the crematorium. Further reports will be required on the project that will detail the most appropriate solution for the replacement of the cremators. The additional spend will require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23-year period.

- 4.9 This is a funding application to the Future High Streets Fund which seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with an overall funding requirement from the Council of £390,000.
- 4.10 The allocation for a new data management system that is used in Environmental Health and Private Sector Housing is no longer required with Local Government Reorganisation on the horizon.
- 4.11 The Council's contribution to the Carlisle Southern Link Road project.
- 4.12 A successful bid for grant funding for a county wide scheme totalling £19.955m across 2021/22 and 2022/23 for Sustainable Warmth (LAD3) and Home Upgrade (HUG1).
- 4.13 The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed.

- 4.14 As detailed above, the Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

As the budget process progresses, there may be further bids that come to light once full business cases are developed. There are also external bids for grant funding which have been submitted, or are in the process of being submitted, which if successful, will require the Capital Programme to be grossed up and to recognise the grant award, examples include The Towns Deal (£19.7m) and The Public Sector Decarbonisation Scheme (£1.87m).

5. Potential Capital Resources Available

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2022/23 to 2026/27.

Source of Funding	Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	(21,174)	(4,325)	0	0	0
Capital Receipts:						
• Generated in year receipts used to fund resources	5.4	(286) 112	(101) 0	(4,653) 0	(1,145) 0	(2,585) 0
Direct Revenue Financing / Invest to Save	5.5	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL RESOURCES		(25,210)	(7,388)	(7,615)	(4,107)	(5,547)

- 5.2 Disabled facilities grant allocation will not be known until early 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.
- 5.3 General grants and contributions identified as funding streams for projects. This relates to the Future High Street Fund and Sustainable Warmth (LAD3 and HUG1) projects.
- 5.4 Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2022/23 and 2026/27 has been incorporated into the table above.
- 5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

6. Summary Provisional Capital Programme 2022/23 to 2026/27

6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

Source of Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated in year Resources available (para 5.1)	(25,210)	(7,388)	(7,615)	(4,107)	(5,547)
Proposed Programme (para 4.1)	35,824	9,527	3,409	3,462	3,509
Projected (Surplus)/Deficit	10,614	2,139	(4,206)	(645)	(2,038)
Cumulative surplus/deficit b/fwd	28,795	39,409	41,548	37,342	36,697
Cumulative year end deficit i.e. overall borrowing needed to fund the capital programme	39,409	41,548	37,342	36,697	34,659
Borrowing undertaken previously	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Cumulative deficit i.e. additional borrowing needed to support the capital	25,409	27,548	23,342	22,697	20,659

6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process.

The table above shows that there continues to be a borrowing requirement from 2022/23. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Continuous review of the asset disposal programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing an additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Local Environment Strategy

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained with the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

7. Risks

- 7.1 The ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.
- 7.2 The main risk to the Council is the overall cost of COVID-19 in terms of additional costs and delays to supplies.
- 7.3 The Government are likely to issue a supplementary Statutory Instrument which may limit the award of contracts for both revenue (£100,000) and capital projects (£1million) without the approval of the Shadow Authorities from April 2022.

8. Consultation

- 8.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 6 January 2022, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 20 December and 17 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 19 January.

9. Conclusion and reasons for recommendations

- 9.1 The Executive is asked to:
 - (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
 - (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;

- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

10. Contribution to the Carlisle Plan Priorities

10.1 The Council's capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact details:

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report:

- Appendix A – Revised Capital Programme 2021/22
- Appendix B – Revised Capital Programme 2021/22 – Proposed Financing

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan (GD58/21).

Finance - Financial implications are contained within the main body of the report.

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

REVISED CAPITAL PROGRAMME 2021/22
APPENDIX A

Scheme	Original Capital Programme 2021/22 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2021/22 £	Note
Sands Centre Redevelopment	16,922,600	0	0	16,922,600	
Civic Centre Development	2,081,600	16,700	0	2,098,300	
Energy Monitoring System	12,000	0	0	12,000	
<i>Savings to fund Civic Centre</i>	<i>(200,000)</i>	<i>200,000</i>	<i>0</i>	<i>0</i>	
Future High Street Fund - Market Square	100,000	357,300	0	457,300	
Future High Street Fund - 6-24 Castle Street	0	170,300	0	170,300	
Future High Street Fund - Central Plaza	0	712,400	0	712,400	
Future High Street Fund - Devonshire Street	0	73,600	0	73,600	
Future High Street Fund - Delivery Costs	0	122,400	0	122,400	
Cemetery Infrastructure	5,700	0	0	5,700	
Skew Bridge Deck	67,000	0	0	67,000	
Towns Deal - Bitts Park Improvements	99,200	68,900	0	168,100	
Planning Software	150,000	0	0	150,000	
Play Area Improvements	189,700	247,400	0	437,100	
Carlisle Citadels	934,700	0	0	934,700	
Towns Deal - Caldew Riverside	842,500	0	0	842,500	
On Street Charging Points Infrastructure	102,800	0	0	102,800	
Gateway 44 Development	896,200	0	0	896,200	
LED Footway Lighting Installation	29,700	0	0	29,700	
Rough Sleeping Initiative	10,000	0	0	10,000	
Planned Enhancements to Council Property	458,800	0	0	458,800	
Vehicles, Plant & Equipment	1,036,600	(594,800)	0	441,800	
Recycling Containers	45,000	64,500	0	109,500	
ICT Infrastructure	313,700	179,900	0	493,600	
Disabled Facilities Grants	3,387,200	0	0	3,387,200	
Empty Property Grants	112,400	0	0	112,400	
Swifts Wildlife Haven	70,000	0	0	70,000	
Bitts Park Water Feature	10,500	0	0	10,500	
Bitts Park Public Realm	0	32,000	0	32,000	
Financials Upgrade	0	80,900	0	80,900	
Footway Lighting Melbourne Park	0	22,200	0	22,200	
Affordable Homes (S106)	0	600,800	0	600,800	
Asset Review - Demolition costs	0	35,000	0	35,000	
Sustainable Warmth Competition	0	2,210,000	0	2,210,000	
SUB-TOTAL	27,677,900	4,599,500	0	32,277,400	
<u>Capital Reserves to be released</u>					
Creamatorium Infrastructure	350,000	0	0	350,000	
Cemetery Infrastructure	30,000	0	0	30,000	
	380,000	0	0	380,000	
REVISED TOTAL	28,057,900	4,599,500	0	32,657,400	

REVISED CAPITAL PROGRAMME 2021/22 – PROPOSED FINANCING

Source of funding	2021/22 Original £	2021/22 Revised £	Notes
Capital Grants:			
• DFG	2,155,600	2,155,600	
• Future High Street Fund	0	1,436,000	
• Sustainable Warmth Competition	0	2,210,000	
• General	2,325,600	2,349,900	1
Capital Receipts:			
• B/fwd from previous year	(7,759,005)	(7,759,005)	
• Generated in year	1,491,000	0	2
• Receipts used to fund resources	(112,000)	(112,000)	
• Borrowing Undertaken	0	0	
Capital Contributions			
• General	159,700	1,066,800	3
Direct Revenue Financing	2,098,300	2,515,200	4
TOTAL FINANCE AVAILABLE	359,195	3,862,495	
TOTAL PROGRAMME (SEE APP A)	28,057,900	32,657,400	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	27,698,705	28,794,905	

Notes:

- Capital grant include revised funding for Sands Centre Development (£134,000), Recycling Containers (£24,300), Play Area Improvements (£30,000), Swifts Wildlife Haven (£70,000), On-Street Charging Infrastructure (£102,800), Bitts Park Towns Deal (£89,200), Carlisle Citadels (£934,700), Caldew Riverside Towns Deal (£842,500), Rough Sleeping Initiative (£10,000) and Empty Properties (£112,400).
- Asset Review Receipts have been reprofiled into future years.
- General contributions relate to Play Area Developments (£397,100), Bitts Park Public Realm (£32,000), Footway Lighting Melbourne Park (£22,200), Affordable Homes (£600,800) and Civic Centre (£14,700).
- Changes to Direct Revenue Financing relate to Financials Upgrade (£70,000), Waste Receptacles (£40,200), IT Strategy (£190,800), Civic Centre (£2,000), Bitts Park Towns Deal (£68,900), Play Area Developments (£10,000) and Asset Review Demolition costs (£35,000).

Carlisle City Council

Report to Executive

Item
A.2 (c)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 66/21

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Recommendations:

The Executive is requested to approve the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, for recommendation to Council.

Tracking

Executive:	20 December 2021, 19 January 2022
Scrutiny:	BTSP 6 January 2022
Audit Committee:	10 December 2021
Council:	1 February 2022

1. BACKGROUND

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001, 2011 and 2017. The City Council formally adopted this Code in March 2002 and adopted the 2017 revision in February 2018.
- 1.2 CIPFA has consulted on revisions to the Treasury Management Code, and the Prudential Code, throughout 2021 and the new Codes are intended to be implemented by authorities for 2023/24 Treasury Management Strategies.
- 1.3 Under the requirements of the Code, the Council will receive each year the following reports:
 - Annual strategy and plan in advance of the year
 - A mid-year review
 - Annual report after its close.

2. TREASURY MANAGEMENT STRATEGY STATEMENT

- 2.1 As required under the Code, the Treasury Management Strategy Statement (TMSS) for 2022/23, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The schedule of approved investment vehicles is contained in **Appendix B** and **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.
- 2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.
- 2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in **Appendix A**.

- 2.4 The Prudential Indicators are monitored via the quarterly Treasury Management monitoring reports.
- 2.5 The council recognises its responsibilities in terms of climate change and environmental sustainability and that consideration of these responsibilities may form part of its Investment Portfolio; however, consideration must also be given to ensure the security of principal, portfolio liquidity and return on investment when making investment decisions. Work continues to review the Investment Strategy in line with these recognised responsibilities and this will involve ensuring that counterparties have a relevant environmental strategy that sets out their position on climate responsibilities.

3. RISKS

- 3.1 The Treasury Management function must ensure the security of Council funds at all times over the yield that is gained. It must also ensure it follows the key principles as outlined in the Treasury Management Code of Practice and the Prudential Code.
- 3.2 There is a risk that interest rates could change over the period of the Treasury Management Strategy Statement, particularly in respect of volatile economic situations, but close monitoring of the situation will be maintained, particularly if there are forecast changes to interest rates that could have an impact on borrowing decisions or reduce the availability of counterparties with which the Council can invest its funds.

4. CONSULTATION

- 4.1 The Council has appointed Link Asset Services Treasury Services as its Treasury Advisers and they have been involved in the Strategy and proposals contained within this report.
- 4.2 The draft TMSS was considered by the Audit Committee on 10 December 2021 and by BTSP on 6 January 2022. Their comments will be incorporated into the final version of the Strategy, which will be considered by Council in February.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 The Executive is requested to approve the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, for recommendation to Council.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

Appendix A – Treasury Management Strategy Statement

Appendix B – Approved Investment Instruments

Appendix C – Interest Rate Forecasts

Appendix D – Treasury Management Policy Statement

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources effectively for the benefit of its area and the delivery of its services. Treasury Management is an important part of this function and it is appropriate that the Council has a strategy and takes account of the available specialist internal and external advice. The Treasury Management Strategy forms part of the Budget and Policy framework and, therefore, ultimately requires approval by Council.

Property Services -

Finance - contained within the report.

Equality - not applicable

Information Governance - There are no information governance issues in this report

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2022/23

1. INTRODUCTION

1.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

- 1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 1.6 CIPFA defines treasury management as:
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.7 Revised reporting has been required from 2019/20 due to revisions of the DLUHC Investment Guidance, the DLUHC Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital investment strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital investment strategy has been reported separately.
- 1.8 CIPFA have consulted on proposed changes to the Prudential Code and Treasury Management Codes throughout 2021 and intends to publish the final versions of the revisions by the end of 2021. Implementation of the revised Codes will be for the 2023/24 Treasury Management Strategy Statements.
- 1.9 The suggested strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury consultants. The strategy covers the following issues:
- Treasury limits in force that will limit the treasury risk and activities of the Council;
 - Prudential and Treasury Indicators;
 - Current treasury position;
 - Borrowing requirement;
 - Prospects for interest rates;
 - Borrowing strategy considerations;
 - Debt rescheduling opportunities.
 - Investment Strategy
 - Minimum Revenue Provision Strategy
 - Capital Investment Strategy

2. CAPITAL INVESTMENT STRATEGY

- 2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a Capital Investment Strategy report, which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 2.2 The aim of the Capital Investment Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.3 The Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement alongside the Medium-Term Financial Plan with non-treasury investments being reported through this document. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Investment Strategy will show:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 2.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.
- ## **3. TREASURY LIMITS 2022/23 TO 2024/25**
- 3.1 It is a statutory duty, under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can

afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.

- 3.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the Indicators themselves, which are set out in paragraph 6, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

4. USE OF TREASURY CONSULTANTS

- 4.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Link Asset Services.
- 4.2 Link Asset Services provide specialist advice on both borrowing and investment matters. They also supply other relevant information and hold regular client seminars which help provide up to date training in what is an important and continually changing field. That said, it is important to recognise that responsibility for all treasury matters lies solely with the City Council and this responsibility is not delegated to Link Asset Services or any other third party. The Council has regard to the advice and information supplied by Link Asset Services along with advice and information from a variety of other sources. Such advice is valued and the authority is in frequent contact with Link Asset Services but this does not lessen the ultimate responsibility of the City Council in dealing with treasury matters and taking relevant decisions.

5. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 26 November 2021 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB Market	13.0 0.0	13.0	1.63
Variable Rate Funding	PWLB Market	0 0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			13.0	1.63
Total Investments			26.5	0.75

6. PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

- 6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2022/23 to 2024/25 (which may be subject to change during the budget process). Prudential Indicators are a requirement of the Prudential Code and will be specific to each local authority's circumstances. The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Capital Expenditure	14,172	32,657	35,824	9,527	3,409
Ratio of financing costs to net revenue stream	1.19%	4.35%	7.04%	13.43%	12.51%
Net borrowing requirement in year (Internal & External)	3,408	21,023	10,334	974	(5,400)
Capital Financing Requirement as at 31 March	19,521	40,544	50,878	51,853	46,453
Annual change in Cap. Financing Requirement	(1,026)	21,023	10,334	974	(5,400)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	2.97	18.19	8.85	0.83	(4.54)

- 6.2 The estimates of financing costs include both current capital commitments and the capital programme. In the case of this authority, it is assumed that any support from central government towards the costs of capital expenditure programmes in the next three years will be by means of a capital grant e.g. Disabled Facilities Grant.

6.3 The Council's Borrowing Need (Capital Financing Requirement)

- 6.3.1 The Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for from capital grants, capital receipts or revenue contributions, will increase the CFR as it will be funded from borrowing.
- 6.3.2 The CFR does not increase indefinitely. The Minimum Revenue Provision (MRP) is a statutory annual charge to the revenue budget which reduces the CFR in line with

each asset's life, and so charges the economic consumption of capital assets as they are used.

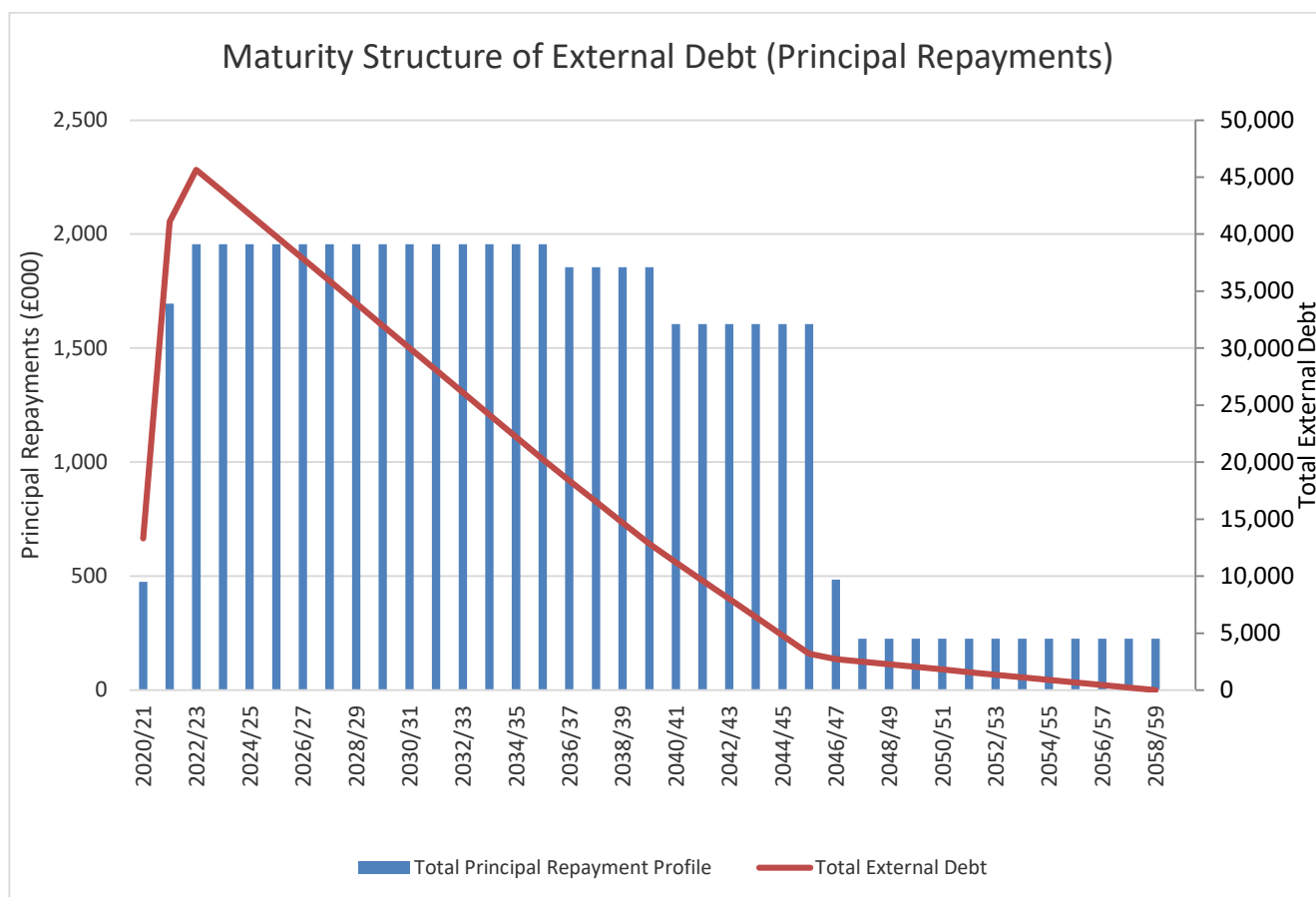
PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Authorised Limit for External Debt:					
- Borrowing	44,000	48,000	52,000	52,000	50,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	44,100	48,100	52,100	52,100	50,100
Operational Boundary for external debt:					
- Borrowing*	32,500	43,000	47,000	47,000	45,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	32,600	43,100	47,100	47,100	45,100
Upper Limit for fixed interest rate exposure:					
- Net principal re. Fixed rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for variable rate exposure					
- Net principal re. Variable rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for total principal sums invested for over 1 year	50%	50%	50%	50%	50%

Notes:

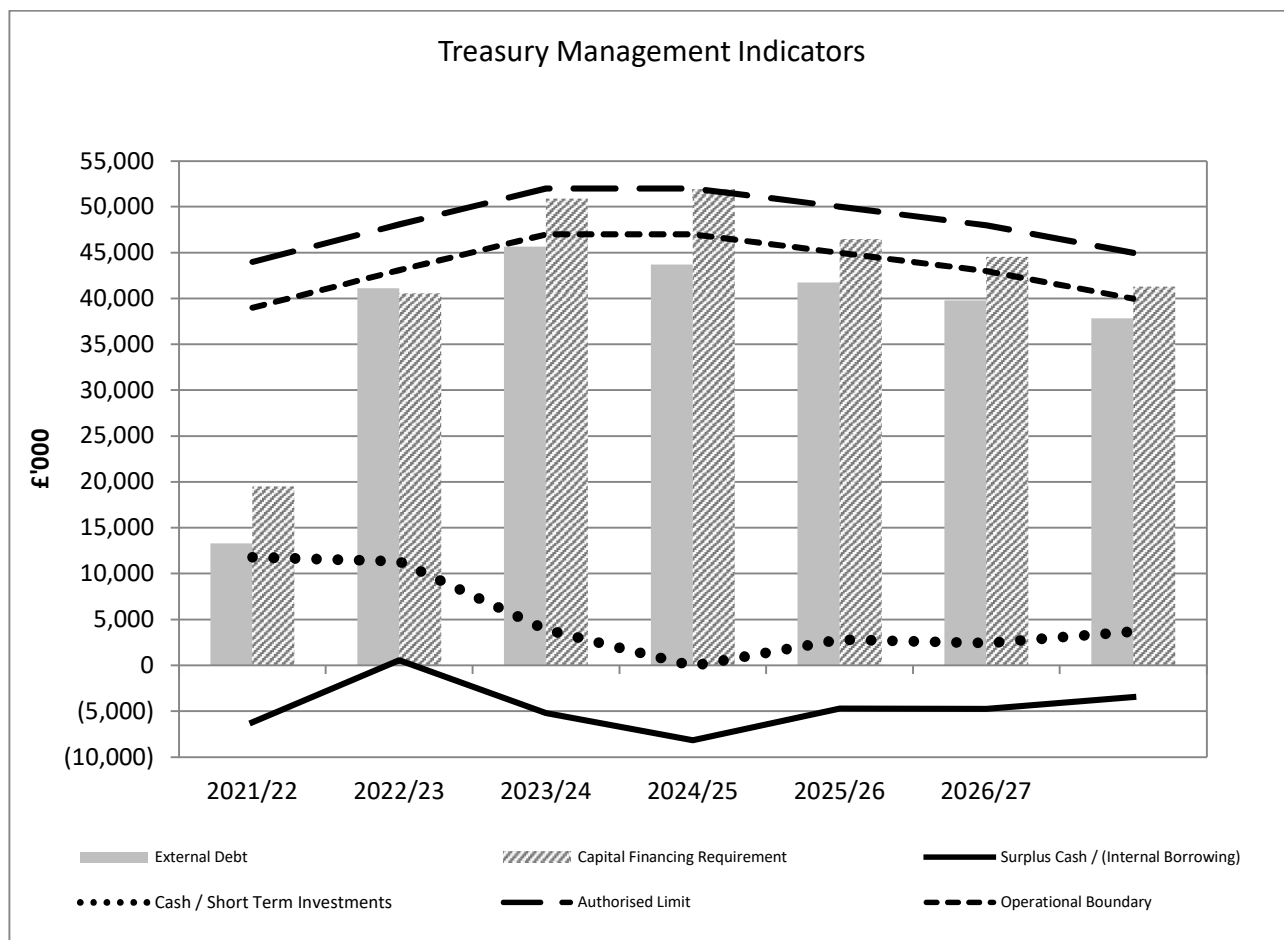
The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
External Debt B/Fwd	13,763	13,288	41,093	45,645	43,690
New External Debt (Actual & Planned)	0	29,500	6,507	0	0
External Debt Repaid	(475)	(1,695)	(1,955)	(1,955)	(1,955)
External Debt C/fwd	13,288	41,093	45,645	43,690	41,735



6.3.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This chart makes assumptions included in the Executive's budget regarding the use of external borrowing. However, funding of capital expenditure could change, for example, if additional assets are sold generating capital receipts or expenditure requirements change. Therefore, this chart could be subject to change in the future. This shows that external debt is not forecast to rise above the authorised limit over the next five years. However, this is predicated on the assumption that capital receipts can be generated that will be used to fund some of the capital expenditure requirements identified. Should these receipts not be achieved, then the use of borrowing will need to be re-examined. The Medium-Term Financial Plan assumes that external borrowing will be undertaken to support expenditure on major capital schemes. These areas will be closely monitored prior to any further external borrowing being undertaken.

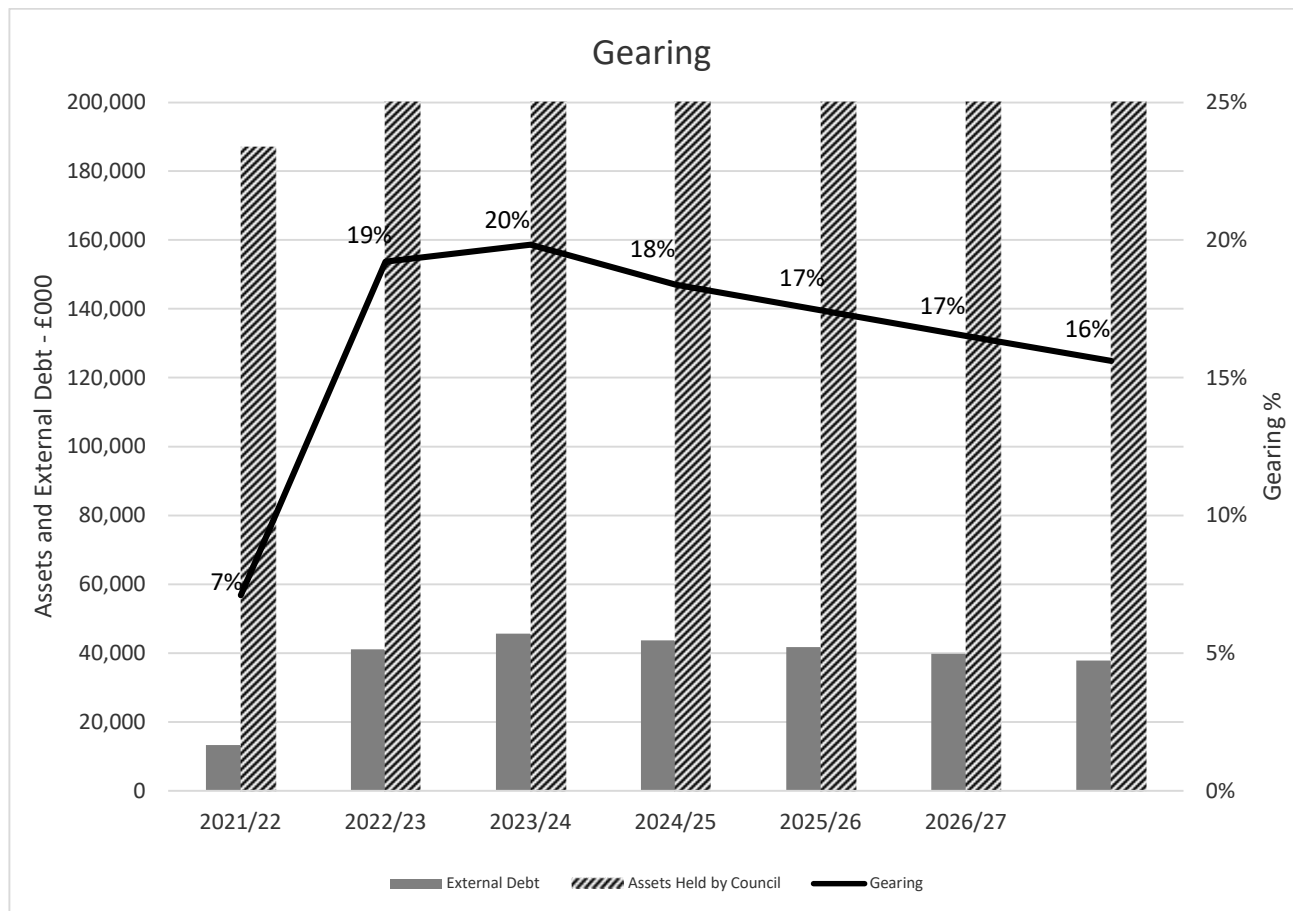


Maturity structure of any fixed rate borrowing during 2022/23	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

6.3.4 In respect of its external debt, it is recommended that the Council approves the authorised limits as outlined above for its total external debt, gross of investments, for the next three financial years. The limit separately identifies borrowing from other long-term liabilities such as finance leases. The Council will be asked to approve these limits and to delegate authority to the Corporate Director of Finance and Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

6.3.5 The authorised limit is consistent with the authority's current commitments, plans and proposals for capital expenditure and its financing. **However, the overall authorised limit is not to be exceeded without prior Council approval.**

6.3.6 In setting the Authorised Limit consideration should be made to the chart below which demonstrates the level of indebtedness against the Council's overall asset base (i.e. its gearing).



6.3.7 The operational boundary is based upon the same estimates as the authorised limit but without the headroom included within the authorised limit to allow for unusual cash movements. As with the authorised limit, the Council is asked to delegate authority to the Corporate Director of Finance and Resources to effect movement between the separately agreed limits for borrowing and other long-term liabilities. The operational boundary can be exceeded in exceptional circumstances without prior Council approval providing that it remains within the authorised limit.

6.3.8 The City Council's current limits for maximum levels of fixed and variable rate funding are both 100% and this is as recommended by the treasury advisers.

7 PROSPECTS FOR INTEREST RATES

7.1 The Council has appointed Link Asset Services as its treasury adviser and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Link Asset Services view although it should be noted that there are some differing views among the various economic forecasters regarding the future pattern of these rates:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

7.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in December 2021, a second increase to 0.50% in quarter 2 of 2022/23 and a third one to 0.75% in quarter 4 of 2022/23.

7.3 **Significant risks to the forecasts**

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geo-political risks are widespread e.g., German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

7.4 **Forecasts for Bank Rate**

7.4.1 Link are not expecting Bank Rate to go up fast after the initial rate rise; their view is that the supply potential of the economy has not taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to 5%. Link are therefore forecasting five

increases in Bank Rate over the forecast period to March 2025, ending at 1.25%. However, we are far from confident that these forecasts will not need changing within a relatively short timeframe for the following reasons:-

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a major dilemma for the MPC in how to strike a balance between combating inflation and supporting economic growth.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit over the next year?
- Rising gas and electricity prices could also pose a potential threat to the supply chain through some energy intensive sections of industry having to close that are no longer economic to run while prices remain so high.
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages, plus increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation and excess demand in the economy compared to supply. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It is estimated that there were around 1 million people who came off furlough on 30th September; how many of those would not have had jobs on 1st October and would, therefore, have been available for filling labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns. However, some key labour shortages will be more difficult to fill due to the need for time to train and qualify.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

7.4.2 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

7.4.3 It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could simply decide to take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. The MPC may also be concerned to protect its inflation fighting credentials and may view that such a small increase would do

little to damage growth. There is therefore a significant risk that the first increase could be as early as December 2021. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

7.5 **Forecasts for PWLB rates and gilt and treasury yields**

7.5.1 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

7.5.2 There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see explanation on the next page)? Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Federal Reserve take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

7.5.3 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

7.6 **Gilt and treasury yields**

7.6.1 Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend up to \$3.5trn on infrastructure and an 'American families' plan over the next decade. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour caused largely by an enduring fall in the labour participation rate, and supply bottle necks, is likely to stoke inflationary pressures more in the US than in other major western countries.
4. And the Federal Reserve was still providing monetary stimulus through monthly QE purchases.

7.6.2 These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries: this would imply that interest rates will eventually need to go up higher in the US than elsewhere. The September Federal Reserve minutes revealed that the Federal Reserve is likely to decide at its next meeting to start tapering monthly QE purchases by the end of 2021, reducing the level of purchases each month until they cease around the middle of 2022. These purchases are currently acting as downward pressure on treasury yields and so that pressure will reduce as tapering progresses. As an average since 2011, there has been a 75% correlation between movements in 10-year treasury yields and 10-year gilt yields. This is a significant upward exposure to the forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

7.6.3 The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

7.7 **Investment and borrowing rates**

7.7.1 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The

policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

7.7.2 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

7.7.3 Link's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

7.7.4 While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

8 BORROWING STRATEGY

8.1 The Link Asset Services forecast for the PWLB new borrowing rate (repayment at Maturity) is as follows:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
5 Yr PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.90%
10Yr PWLB	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%
25Yr PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%
50Yr PWLB	1.90%	2.00%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%

8.2 The Council is, as stated above, expecting to have to borrow externally between 2021 and 2023 to finance capital expenditure on assets. Approval was given as part of the Capital Investment Strategy approved in September 2016, for the Section 151 Officer to undertake external borrowing at a time it was felt to be most appropriate to be used for the repayment or refinancing of the £15million stock issue and/or to fund the capital programme where a borrowing requirement has been identified, taking into account forecasts for potential rises in interest rates and

utilising any favourable borrowing rates. It is anticipated that although a combination of capital grants and internal resources will be used to meet most capital commitments in the new financial year there will be a requirement to borrow externally. Nevertheless, the use of external borrowing is planned for in future years. The Corporate Director of Finance and Resources will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.

8.3 Against this background and the risks with the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Corporate Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long term and short-term borrowing rates (e.g. due to a marked increase in the risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into shorter term borrowings will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

8.4 **Policy on borrowing in advance of need**

8.4.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. As part of the Capital Investment Strategy approved by Council in September 2016, approval in principle was given to the Council's S.151 Officer to borrowing in advance of need for the re-financing of the stock issue loan and/or to fund the capital programme where a borrowing requirement has been identified, if interest rates were favourable and would be cost effective over the term of any new loan.

8.5 **External v. Internal Borrowing**

8.5.1 This Council currently has differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 6.3.

- 8.5.2 The general aim of this Treasury Management Strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 10.2) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 8.5.3 The next financial year will likely be one of continued low Bank Rates even though there may well be incremental increases from the current levels. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 8.5.4 Over the next three years, investment rates are expected to continue to be below long-term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 8.5.5 However, short term savings by avoiding new long-term external borrowing in 2022/23 will also be weighed against the potential for incurring additional long-term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. By utilising internal cash balances consideration will also need to be given to the availability of cash to service the day-today cash flow of the Council. This could require the Council to undertake short-term borrowing to cover cash-flows.
- 8.5.6 Against this background caution will be adopted with the 2022/23 treasury operations. The Corporate Director of Finance and Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

9. DEBT RESCHEDULING

- 9.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2022/23.

10. INVESTMENT STRATEGY

10.1 **Principles**

10.1.1 The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets (e.g. property), are covered in the Capital Investment Strategy.

10.1.2 The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

10.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

10.1.4 The Council will also endeavour to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Security of principal will always be the primary consideration. The risk appetite of this Council is low in order to give priority to security of its investments.

10.1.5 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means (Further details of limits and timescales for all approved investments are shown at **Appendix B**): -

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short-term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Corporate Director of Finance and Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high-quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already

allows discretion to the Corporate Director of Finance and Resources to include as counterparties non-credit rated building societies whose assets total at least £1bn. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.

- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- **Lending limits**, (amounts and maturity), for each counterparty are set. Total investments with any one counterparty or group currently will not exceed £10m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in

overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.

- **Transaction limits** are set for each type of investment are set.
- This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
- This authority has engaged **external consultants**, (see paragraph 4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2019/20 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [DLUHC], have recently issued a statutory override for Local Authorities so that the impact of IFRS9 does not affect a Council's General Fund. This override is currently in place for 5-years from 1st April 2018.)
- Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:
Country limits:
 - where the country of registration of an institution has an average credit rating (i.e. an average sovereign credit rating) equal to, or better than that of the UK; it will enable the Council to consider the placement of investments on the same basis applied for UK-registered institutions (i.e. subject to the overarching counterparty criteria as set out at **Appendix B**; and
 - where an institution meets the approved counterparty status* but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than £2m of the portfolio.

i.e. it meets the overarching counterparty criteria as set out at **Appendix B.**

- sector limits will be monitored regularly for appropriateness.

10.1.6 Following approval in 2014/15, the Council now makes use of the CCLA Property Fund for longer term investments, and at present has invested £3m into this fund. The anticipated yield from this investment is assumed to be 4.00% in the MTFP.

10.1.7 Any investments with institutions that do not have a credit rating e.g. many smaller building societies or investments for periods over one year would be classed as non-specified investments. **However, it is important to stress that both the specified and non-specified investments in Appendix B are perfectly legal instruments in which the City Council may invest.** This includes for example many building societies as only the larger societies have an individual credit rating although there are other criteria by which a judgement can be made as to their credit quality.

10.2 **Creditworthiness Policy**

10.2.1 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

10.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore have consideration to using counterparties within the following durational bands:

Yellow	5 Years *
Dark Pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)

Orange	1 year
Red	6 months
Green	100 Days
No Colour	Not to be used

**The Council does not usually invest for longer periods than 2-years, however if it were to it would follow the same creditworthiness policy provided by Link Asset Services*

10.2.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

10.2.4 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

10.2.5 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on any external support for banks to help support its decision-making process.

10.3 **Investment Strategy**

10.3.1 With bank base rate forecast for a first increase in Bank Rate in late 2021.

However, the September 2021 Monetary Policy Committee (MPC) meeting minutes indicated that their concerns over the sudden recent rise in multiple inflationary pressures could well mean that an earlier increase in Bank Rate is now possible ahead of the start of the financial year covered by this Strategy. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

10.3.2 The Council has historically outperformed bank rates in its investment returns.

Therefore, the suggested budgeted average investment earnings currently included in the MTFP projections are as follows:

	Investment Balances	CCLA Property Fund
2022/23	0.83%	4.00%
2023/24	1.08%	4.00%
2024/25	1.33%	4.00%

10.3.3 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are likely to rise more slowly. At this stage, the budget for 2022/23 has assumed an average yield of 0.83% on its investments (excluding CCLA Property Fund) in the next financial year. This allows for the fact that there are some higher value, longer term investments placed and there will be some shorter dated instant access investments placed. This forecast will, however, be reviewed further during the budget cycle. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.00% in the MTFP.

10.3.4 In this situation, the authority will continue to try and seek value in its investments by placing them out for longer periods where possible e.g. six months to one year, to meet future cash flow needs, subject to retaining some sums for shorter periods to meet liquidity requirements and also to take advantage of any particular investment opportunities. Much of the basic framework of the authority's cash flows is already known for the next financial year and use will be made of this information in determining investment periods. The money market is monitored daily and use will be made of a plurality of sources of financial information in determining investment opportunities. All investments will be placed only with institutions that conform to the criteria set out in the Investment Strategy. However, should the council use internal cash balances to support the capital programme rather than undertaking external borrowings this will have a significant impact on the investment returns achieved, but will be offset by reduced costs of borrowing.

10.3.5 The investment income budget will, as ever, be carefully monitored in the coming financial year and reported to members via the regular Treasury Transactions reports.

10.4 **End of Year Investment Report**

In line with current practice, the Council will receive a report on its investment activity as part of the Annual Treasury Report at the end of the financial year. It should also be noted that best practice now requires a mid-year report on the treasury function. This has long been the practice within the City Council where quarterly reports are presented to the Executive. In addition, the Audit Committee has taken on the role of the 'strategic committee' that oversees treasury matters.

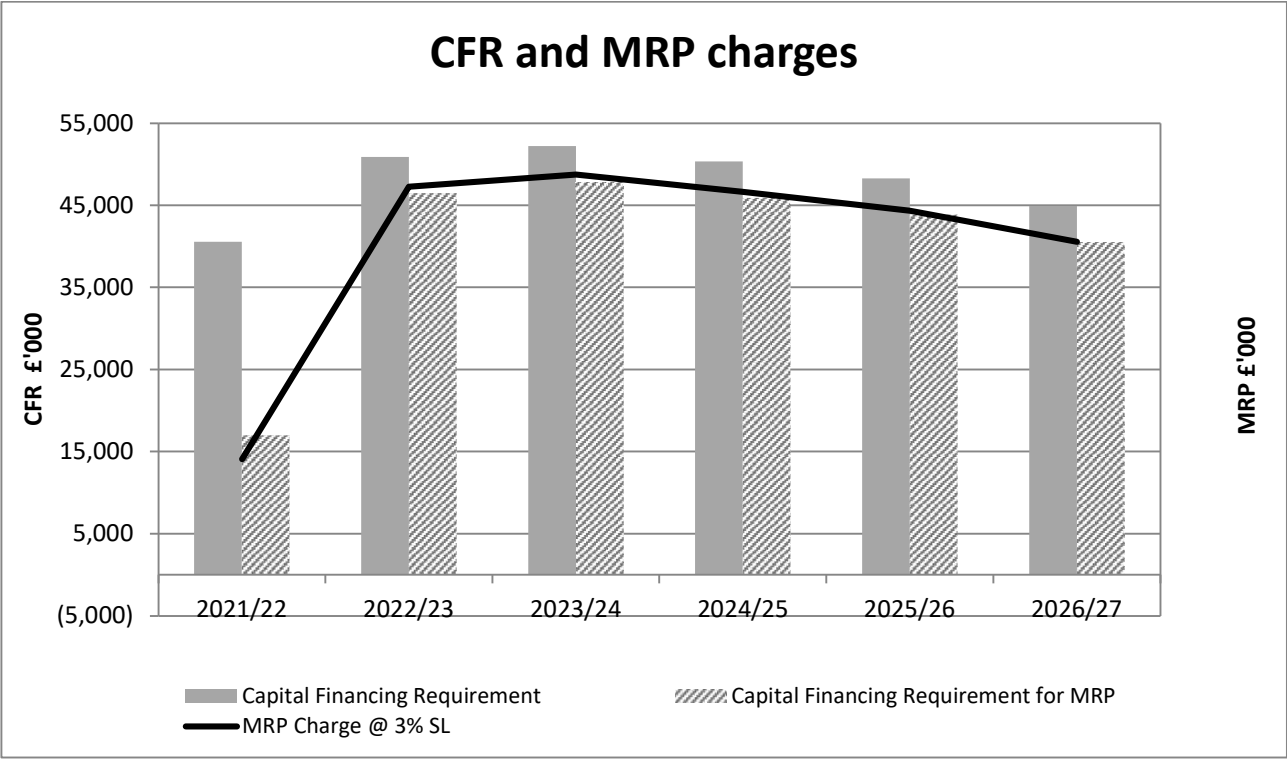
11. **THE MINIMUM REVENUE PROVISION STRATEGY**

- 11.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2022/23 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, the Council revised its MRP Policy in 2017/18 to provide for MRP on a 3% straight Line basis going forward.
- 11.2 The Council is currently forecasting to undertake additional external borrowing in 2022/23 to facilitate the delivery of its capital programme. Current estimates include this borrowing on a principal and interest repayment basis. Any principal repaid would be a cash outflow for the Council and cash would be replenished through the charging of MRP from the General Fund to reduce the underlying borrowing requirement.
- 11.3 The Council is obliged to make proper provision for the repayment of its outstanding debt liabilities. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, vehicles etc. It would usually be impractical to charge the entirety of such expenditure, which is often funded by borrowing, to the revenue account in the year it was incurred. Instead, this is spread over a longer period to try and match the years over which these assets will benefit the community. The manner of spreading these costs is through the Minimum Revenue Provision (MRP). Until recently, the MRP was calculated according to detailed and complex regulations. It is now determined under Guidance.
- 11.4 The only statutory duty that a local authority has under the new MRP regime is '*to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*'. The Guidance, which authorities must 'have regard to' provides four options for calculating the MRP. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.

- 11.5 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50+ years) this is still deemed to be a prudent approach to take.
- 11.6 In 2021/22, the opening CFR was £19.521million.
- 11.7 In 2018/19 the Council implemented a recommendation from Link Asset Services to review its CFR for MRP purposes in relation to what is known as 'Adjustment A'. The purpose of Adjustment A was to ensure that the starting point for calculating MRP under the new system in 2004 did not significantly vary the level of liability that would have arisen had the previous system of capital controls remained unchanged.
- 11.8 The MRP review undertaken by (then) Capita Asset Services identified a misstatement in the basis of calculation of Adjustment A which indicated that the value originally assessed in 2004/05 to be understated. The Council's reassessed Adjustment A figure is £4.426 million. This misstatement related to the inclusion of revenue expenditure (premiums on the early repayment of debt) being included in the original Adjustment A calculation which the Code states should be excluded from the calculation.
- 11.9 Therefore when calculating MRP for future years, the actual Capital Financing requirement should be reduced by this Adjustment A figure and then MRP charged at 3% of the reduced figure.
- 11.10 The CFR and MRP charges currently included in the MTFP and budget projections are as follows (The MRP charge calculated for 2022/23 is chargeable in 2023/24 and so on):

	2022/23 £000	2023/24 £000	2024/25 £000
Opening CFR	19,521	40,544	50,878
Closing CFR	40,544	50,878	52,192
Adjustment A	4,426	4,426	4,426
Adjustment Assets Under Construction	19,165	0	0
CFR for MRP Purposes	16,953	46,452	47,766
MRP Charge @ 3%	509	1,394	1,433
Adjustments to MRP for historical Overpayments	(241)	(241)	(241)
Actual MRP charge	268	1,153	1,192
Voluntary MRP	0	0	0
Actual MRP charge	268	1,153	1,192

- 11.11 MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of their debt in that financial year. It impacts upon the CFR, one of the Council's prudential indicators.
- 11.12 The CFR is a measure of the Council's underlying debt liability, resulting from historic capital expenditure which has been financed from borrowing. Amending the MRP as proposed will lead to an increase in the short to medium term CFR compared to current projections. This is because the MRP reduces the CFR each year, so a decrease in the amount of reduction causes an increase in the current projected CFR.
- 11.13 When an amount previously set aside for debt liability in the budget is released and then used for another revenue purpose the Authority will have less cash. This is likely to lead to a reduction in external investments and with thus lead to a reduction in interest income.
- 11.14 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.
- 11.15 As the MRP policy has to be considered by the Executive and approved by Council each year there will be an opportunity to revisit any decision at least annually or make additional voluntary payments.
- 11.16 The chart below shows the anticipated CFR in future years as well as the CFR for MRP Calculation purposes.



APPROVED INVESTMENT INSTRUMENTS

Specified Investments

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

- All UK banks and building societies with a minimum specified 'high' credit rating shall have a **maximum of £6m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £6m**).
- Investments with Lloyds Group banks, HSBC, Santander and Goldman Sachs shall have a maximum of **£10m** as the counterparty limit.
- All overseas banks with a sovereign rating of not less than the UK sovereign rating and a minimum individual credit rating, shall have a **maximum of £4m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £4m**).
- Where an institution meets the approved counterparty status but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- UK building societies that are not credit rated shall have a maximum of **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- MMFs shall have a maximum counterparty limit of **£4m** (**Individual Transaction limit of £4m**).

Fixed Term Deposits with fixed rates and maturities:-	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – local authorities	--High level of security	In-house
Term deposits – U K banks**	Short-term F1 (Fitch) or P1(Moodys)	In-house
Term Deposits – UK building societies**	Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Term Deposits – Non UK Banks	Sovereign Rating (not less than UK) Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Fixed term deposits with variable rate and variable maturities: -	Minimum 'High' Credit Criteria	Use
Callable deposits	Short-term F1 (Fitch) or P1 (Moodys)	In-house
Certificates of deposits issued by UK banks and building societies	Short-term F1 (Fitch) or P1 (Moodys)	In-house buy and hold
UK Government Gilts	Government backed	In-house buy and hold

Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -	Minimum 'High' Credit Criteria	Use
1. Money Market Funds	Short-term AAA	In-house
2. Enhanced Cash Funds	Short-term AAA	In-house
3. Government Liquidity Funds	Short-term AAA	In-house

** If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

A maximum of 50% will be held in aggregate in non-specified investments

1. Maturities of ANY period.

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits with non credit rated UK Building Societies	As approved by the S151 Officer. Minimum asset base of £1bn	In-house	50	364 days
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house	50	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house	50	Liquid

2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	Any authority	In-house	50	3 Years
Term deposits – UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In-house	50	3 Years
Fixed term deposits with variable rate and variable maturities	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Certificates of deposits issued by UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In house on a 'buy and hold basis'	50	3 Years
UK Government Gilts	Government backed	In house on a 'buy and hold basis'	50	3 Years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
1. Bond Funds	Long-term AAA	In-house	50	3 Years
2. Gilt Funds	Long-term AAA	In-house	50	3 Years

3. Approved Property Funds

	Use	Max % of total investments	Max. maturity period
CCLA Property Fund	In-house as determined by the S151 Officer	50	No maximum

The Council uses Fitch (primarily) or Moody's ratings to derive its counterparty criteria. All credit ratings will be monitored monthly. The Council is alerted to changes in credit ratings

through its use of the Link Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by Link Asset Services and Capital Economics. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Revised forecasts will be provided when they become available. The rates shown below for PWLB borrowing include the 20bps reduction for the Certainty Rate.

1. INDIVIDUAL FORECASTS

Link Group Interest Rate View 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	2.70	-	-	-	-	-

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

“The management of the organisation’s borrowings, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Carlisle City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the authority, and any financial instruments entered into to manage these risks.

Carlisle City Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Investment Policy

The Council will manage its investments in line with the criteria set out in section 10 of the TMSS with the security of investment being paramount. The Council’s investments will be placed in line with those outlined in Appendix B of the TMSS.

Borrowing Strategy

The Council will manage its borrowings in line with the criteria set out in section 8 of the TMSS with the emphasis being on external borrowing only being taken when absolutely necessary and ensuring it offers the best value for money.

**EXCERPT FROM THE MINUTES OF THE
AUDIT COMMITTEE
HELD ON 10 DECEMBER 2021**

AUC.67/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23

The Corporate Director of Finance and Resources submitted report RD.53/21 which set out the Council's draft Treasury Management Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) for 2022/23 were incorporated into the Statement, as were the Prudential Indicators as stipulated on the Prudential Code for Capital Finance in Local Authorities.

The report had previously been considered by the Executive and the Business and Transformation Scrutiny Panel. The Committee considered the report on an annual basis, there were no significant changes over the last year, the report provided an updated commentary on the economic forecast.

In relation to the Appendix A - Draft Treasury Management Statement, paragraph 6.1, the Chair suggested it would be helpful to indicate in the table which of the heading areas were within acceptable levels.

The Corporate Director of Finance and Resources responded that in relation to those items there were no targets or standard levels, however, she agreed some additional narrative would be useful and undertook to incorporate some in the final version of the Statement.

RESOLVED - That the Draft Treasury Management Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 be received.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 DECEMBER 2021

EX.155/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

Pursuant to Minute EX.135/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.53/21 setting out the Council's draft Treasury Management Strategy Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2022/23 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report had been considered by the Audit Committee on 10 December 2021 and would be considered by the Business and Transformation Scrutiny Panel on 6 January 2022.

The Finance, Governance and Resources Portfolio Holder moved the recommendation set out within the report and the Leader seconded the recommendation.

Summary of options rejected None

DECISION

That the Executive noted the draft Treasury Management Strategy Statement for 2022/23, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.53/21; and sought comments from the Business and Transformation Scrutiny Panel in January 2022.

Reasons for Decision

To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement

Carlisle City Council

Report to Executive

Item
A.2 (d)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD67/21

Purpose / Summary:

This report provides an analysis of the Provisional Finance Settlement received for 2022/23 and the impact it has on the Council's Revenue budget.

Recommendations:

The Executive is requested to:

- (i) note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegate responsibility to the Corporate Director of Finance and Resources to respond, if required, to the Local Government Finance Settlement consultation document, following consultation with the Portfolio Holder for Finance, Governance and Resources.

Tracking

Executive:	19 January 2022
Scrutiny:	n/a
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1 This report provides an analysis of the 2022/23 Provisional Finance Settlement received from Central Government on 16 December 2021. A consultation document which outlines the government's approach in allocating funding for the local government finance settlement has also been provided, which seeks views by 13 January 2022.
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC) has proposed the referendum limits for 2022/23; and for District Councils, this is 2% or £5, whichever is the greater.
- 1.3 Members should also note that the DLUHC has confirmed the continuation of Cumbria's Business Rate Pool for 2022/23, but as this is integral to the provisional finance settlement, pool members have 28 days (from 16 December) to decide whether they formally wish to be designated as part of the pool.

2. UPDATED BUDGET PROJECTIONS

- 2.1 The amendments to the revenue budget as a result of the provisional finance settlement are as follows:

Draft Local Government Finance Settlement

Provisional figures were received on 16 December and are broadly in line with expectations contained within the MTFP for 2022/23 in respect of the baseline figure; however other one-off grants have been provided for which no budgetary provision was made. It should also be noted that no figures beyond 2022/23 have been provided with only a 1-year settlement announced. The provisional finance settlement for 2022/23 is open for consultation until 13 January 2022, with final figures being provided after that date. Details of the changes following receipt of the draft settlement are provided below.

Settlement Funding Assessment

The Settlement Funding Assessment (SFA) relates to the Retained Business Rates Baseline only, with the table below showing the differences in the Settlement Funding Assessment figures:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP		Estimated			
Business Rate Baseline	3,402	3,470	3,539	3,610	3,682
	3,402	3,470	3,539	3,610	3,682
Draft Settlement (Dec 2021)					
Business Rate Baseline	3,336	3,403	3,471	3,540	3,611
	3,336	3,403	3,471	3,540	3,611
Additional Contribution from/(to) Reserves	66	67	68	70	71

The Business Rate baseline allocation for 2022/23 shows a reduction of £66,000 when compared to the MTFP assumptions. This is a result of the baseline being frozen at 2021/22 levels. No provisional settlement figures have been provided beyond 2022/23; however, the two reviews on (i) the reform of the Business Rates Retention Scheme, and (ii) the approach to measuring the relative needs and resources of local authorities, used to determine new baseline funding allocations, will inform these allocations, once completed. The assumptions for 2023/24 onwards have been revised with an assumed 2% increase using the 2022/23 figures as the base, inclusive of the business rate multiplier compensation grant (see table later in this report). It is expected that the allocations for 2023/24 for all the Cumbrian Councils will be used to determine the overall funding 'pot' for the new unitary authorities in Cumbria thus ensuring that LGR has no detrimental financial impact on all the other local government authorities. These allocations will not be known until December 2022.

Other Funding

New Homes Bonus

Draft New Homes Bonus figures have also been included in the settlement announcement. The national baseline for housing growth remains at 0.4% for 2022/23 below which allocations will not be made.

The settlement provides an indication of the overall allocations the Council can expect to receive from New Homes Bonus. The table below shows how these estimates compare to the MTFP assumptions.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
New Homes Bonus included in MTFP	351	0	0	0	0
	351	0	0	0	0
Draft Settlement (Dec 2021)					
New Homes Bonus	1,373	0	0	0	0
	1,373	0	0	0	0
Additional Contribution from/(to) Reserves	(1,022)	0	0	0	0

A one-year allocation has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations.

Rural Services Delivery Grant

Confirmation of the Rural Services Delivery Grant as set out below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Rural Services Delivery Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Rural Services Delivery Grant	193	0	0	0	0
	193	0	0	0	0
Additional Contribution from/(to) Reserves	(193)	0	0	0	0

Compensation Grant – Business Rate Multiplier Change

Similar to previous years, the Council will also receive a compensation grant in respect of the business rate multiplier change.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Business Rate Multiplier Compensation	177	181	185	189	193
	177	181	185	189	193
Draft Settlement (Dec 2021)					
Business Rate Multiplier Compensation	274	279	285	291	297
	274	279	285	291	297
Additional Contribution from/(to) Reserves	(97)	(98)	(100)	(102)	(104)

Lower Tier Services Grant

An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Lower Tier Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Lower Tier Services Grant	150	0	0	0	0
	150	0	0	0	0
Additional Contribution from/(to) Reserves	(150)	0	0	0	0

Services Grant

A new un-ringfenced grant will be received to support Councils with delivery of front-line services. There will be £822million distributed to local authorities and DLUHC will work with the sector for how to distribute from 2023/24 onwards.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Services Grant	230	0	0	0	0
	230	0	0	0	0
Additional Contribution from/(to) Reserves	(230)	0	0	0	0

The figures for all of these funding streams have been provided by the DLUHC up to 2022/23 only; therefore, any figures beyond this are indicative only.

Council Tax Referendum Limit

The draft settlement also confirms that District Council's will be able to raise Council Tax by the greater of 2% or £5. The Executive's budget proposals currently assume a nil increase for 2022/23 only.

Overall Spending Power

All of the elements described above together with the income raised from Council Tax make up what is known as the Council's Spending Power. Within the settlement the Government makes an assumption as to how much will be raised through Council Tax; however, the precise figure is not known until each Council sets their own Council tax levels and calculates their Tax Bases.

The table below shows the overall effect of the settlement on the Council's Spending Power.

Core Spending Power of Local Government 2022/23 LG FINANCE SETTLEMENT					
	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Settlement Funding Assessment	3,657	3,282	3,335	3,335	3,336
Compensation for under-indexing the business rate multiplier	74	107	134	174	274
Council Tax	6,905	7,183	7,487	7,794	7,978
New Homes Bonus and returned funding	1,606	1,565	1,492	747	1,373
Rural Services Delivery Grant	184	184	184	193	193
2022/23 Services Grant	-	-	-	-	230
Lower Tier Services Grant	-	-	-	389	150
Core Spending Power	12,426	12,321	12,632	12,632	13,534
Change over the Spending Review period (£ 000's)					1,108
Change over the Spending Review period (% change)					8.9%

The overall effect of the Draft Settlement is that for 2022/23, there will be an additional contribution to reserves of £1,626,000.

2.2 Housing Benefit/Local Council Tax Support Administration Subsidy

The allocation for Housing Benefit Administration subsidy and other grant allocations are still awaited from the Department for Work & Pensions (DWP) and the Localised Council Tax Support Administration Subsidy allocation for 2022/23 from DLUHC is also still to be advised.

2.4 Other Areas of Funding

Funding has been announced in respect of the Homelessness Prevention Grant of £198,863 for 2022/23 and Domestic Abuse new burdens funding of £7,568.

At the time of writing the Chancellor has just announced a funding package of £1bn to support business impacted by Omicron with a one-off grant of up to £6,000 (RV dependent) for the hospitality and leisure sector; funding for discretionary grants administered by local authorities; £30million for Cultural Recovery Fund and changes to Statutory Sick pay for small/medium businesses. Further guidance and advice is awaited.

3. **CONSULTATION**

- 3.1 Business and Transformation Scrutiny Panel considered the Executive's draft budget proposals on 7 January 2021.

4. **CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Executive is requested to note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that

the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that a balanced budget is set.

Contact details:

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report:

- None

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

LEGAL – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

PROPERTY – not applicable

FINANCE – Contained within the body of the report

EQUALITY – not applicable

INFROMATION GOVERNANCE – not applicable

NOTICE OF EXECUTIVE KEY DECISIONS

17 December 2021

Notice of Key Decisions

This document provides information on the 'key decisions' to be taken by the Executive within the next 28 days. The Notice will be updated on a monthly basis and sets out:

- Details of the key decisions which are to be taken;
- Dates of the Executive meetings at which decisions will be taken;
- Details of who will be consulted and dates for consultation;
- Reports and background papers which will be considered during the decision making process;
- Details of who to contact if further information is required
- Details of where the document can be inspected
- Details of items which the public may be excluded from the meeting under regulation 4(2) and the reason why
- Details of documents relating to the decision which need not, because of regulation 20(3) be disclosed to the public and the reason why.

The dates on which each new Notice will be published are set below:

Publication Dates

4 June 2021	22 October 2021	18 February 2022
2 July 2021	12 November 2021	21 March 2022
30 July 2021	19 November 2021	
27 August 2021	17 December 2021	
24 September 2021	21 January 2022	

Key decisions are taken by the City Council's Executive and these are usually open to the public. Agendas and reports and any other documents relevant to the decision which may be submitted can be viewed in the Customer Contact Centre at the Civic Centre, Carlisle or on the City Council's website (www.carlisle.gov.uk). Agendas and reports are published one week ahead of the meeting.

A Key Decision is an Executive decision which is likely –

- (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant* having regard to the local authority's budget for the service or function to which the decision relates;
- (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

*significant expenditure or savings to the authority in excess of £70,000

The City Council's Executive Members are:

- Councillor J Mallinson (Leader / Chairman)
- Councillor G Ellis (Deputy Leader, and Finance, Governance and Resources Portfolio Holder)
- Councillor N Christian (Environment and Transport Portfolio Holder)
- Councillor S Higgs (Culture, Heritage and Leisure Portfolio Holder)
- Councillor Mrs Mallinson (Communities, Health and Wellbeing Portfolio Holder)
- Councillor P Nedved (Economy, Enterprise and Housing Portfolio Holder)

Should you wish to make any representations in relation to the items being held in private or If you require further information regarding this notice please contact Democratic Services on 01228 817039 or committeeservices@carlisle.gov.uk.

Index of Active Key Decisions

		Date Decision to be considered:	Date Decision to be taken:
KD.01/22	Central Plaza Development Site Options		19 January 2022
KD.10/21	Budget Process 2022/23 – 2026/27	22 November 2021, 13 December 2021, 20 December 2021 consultation period to include Overview and Scrutiny as appropriate	19 January 2022

Notice of Key Decisions to be taken by the Executive

The following key decision is to be made on behalf of Carlisle City Council:

Key Decision Reference:	KD.01/22
Type of Decision:	Executive
Decision Title:	Central Plaza Development Site Options
Decision to be taken:	<p>The Executive will be asked to:</p> <ol style="list-style-type: none">1. Consider the options for redevelopment of the Central Plaza Site and identify a preferred option that will be developed and taken forward.2. If the option requires a change control for use of the Future High Street Fund grant in place for the project, approval for delegated authority is requested to undertake this action as required by the Department for Levelling Up, Communities and Housing, Future High Street Fund.
Date Decision to be considered:	
Date Decision to be taken:	19 January 2022
Is the Decision Public or Private?:	The decision will be taken in private. The report is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as the report contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)
Documents submitted for consideration in relation to the Decision:	The report of the Corporate Director of Economic Development will be available five working days before the meeting
Contact Officer for this Decision:	Corporate Director of Economic Development, Carlisle City Council, Civic Centre, Carlisle, CA3 8QG
Relevant Portfolio Area:	Leader / Economy Enterprise and Housing
Relevant or Lead Overview and Scrutiny Panel:	Economic Growth Scrutiny Panel

All public reports can be viewed in the Customer Contact Centre of the Civic Centre, Carlisle, the Public Library and on the Council's website www.carlisle.gov.uk.

Other documents relevant to the matter may be submitted to the decision maker. These, if available, may be obtained by contacting the named contact officer.

Notice of Key Decisions to be taken by the Executive

The following key decision is to be made on behalf of Carlisle City Council:

Key Decision Reference:	KD.10/21
Type of Decision:	Executive
Decision Title:	Budget Process 2022/23 – 2026/27
Decision to be taken:	<p>The Executive will be asked to: Consider strategic financial issues arising from the budget setting process:</p> <ul style="list-style-type: none"> (a) Revenue Estimates including spending pressures, bids and savings (22nd November 2021) (b) Individual Charges Reviews (22nd November 2021) (c) Provisional Capital Programme including new spending proposals (22nd November 2021) (d) Corporate Assets – Repair and Maintenance Programme (22nd November 2021) (e) Treasury Management Base Estimates (22nd November 2021) (f) Local Taxation (including CTRS) (22nd November 2021) (g) Consideration of Scrutiny Consultation feedback (13th December 2021) (h) Draft Revenue Settlement Figures (if available) (20th December 2021) (i) Summary Revenue Budget (including decision on Business Rate Pooling) (20th December 2021) (j) Summary Capital Programme (if required) (20th December 2021) (k) Draft Treasury Management and Investment Strategy including MRP Strategy (20th December 2021) (l) Executive Draft Budget Proposals for consultation (20th December 2021) (m) Consideration of Final Budget Consultation (19th January 2022) (n) Draft Revenue Settlement Figures (if available) (19th January 2022) (o) Final Revenue Budget Summary (19th January 2022) (p) Provisional Capital Programme (19th January 2022) (q) Treasury Management and Investment Strategy including MRP Strategy (19th January 2022) (r) Executive's Final Budget Proposals (19th January 2022)
Date Decision to be considered:	22 November 2021, 13 December 2021, 20 December 2021 consultation period to include Overview and Scrutiny as appropriate
Date Decision to be taken:	19 January 2022
Is the Decision Public or Private?:	The decision will be taken in public.

Documents submitted for consideration in relation to the Decision:	The report of the Corporate Director of Finance and Resources will be available five working days before the meeting
Contact Officer for this Decision:	Corporate Director of Finance and Resources, Carlisle City Council, Civic Centre, Carlisle, CA3 8QG
Relevant Portfolio Area:	Finance, Governance and Resources (Councillor Ellis)
Relevant or Lead Overview and Scrutiny Panel:	Health and Wellbeing Scrutiny Panel - 22 November 2021, Economic Growth Scrutiny Panel - 2 December 2021, Business and Transformation Scrutiny 7 December 2021 and 6 January 2022

All public reports can be viewed in the Customer Contact Centre of the Civic Centre, Carlisle, the Public Library and on the Council's website www.carlisle.gov.uk.

Other documents relevant to the matter may be submitted to the decision maker. These, if available, may be obtained by contacting the named contact officer.

Notice prepared by Councillor John Mallinson,
Leader of Carlisle City Council

Date: 17 December 2021

Officer Decisions

Below is a list of decisions taken by Officers which they have classed as significant, full details and supporting background documents can be viewed on the Council's website www.carlisle.gov.uk/CMIS/

Decision Ref No	Title: Subject and Decision Taken:	Reports and Background Papers considered:	Date Decision Taken:	Decision Maker:
OD.127/21	Landlord's consent to lease renewals To grant Landlord's consent to the grant of new leases of units 15 and 86 at The Lanes shopping Centre.	None	23 December 2021	Head of Property Services
OD.126/21	Changing Futures Project: Recovery Navigator To contribute £24,424 from Homelessness Prevention funding to Humankind to support the employment of 1FTE Recovery Navigator to work directly in supported emergency accommodation in Carlisle and support people to access direct treatment and recovery services from an alcohol or drug dependency.	Officer Decision Notice 112/21	21 December 2021	Head of Homeless Prevention and Accommodation Services
OD.125/21	Abatement Notice in Respect of Statutory Nuisance issued under Environmental Protection Act 1990, Section 80 during the period of December 2021 The serving of an Abatement Notice in Respect of Statutory Nuisance issued under Environmental Protection Act 1990, Section 80. Action taken against 1 individual Date served: 7th December 2021 Date operative until 4 th January 2022 Case reference: NOT: 003019	Statutory Guidance and Private Sector Housing Enforcement Policy. Excel copy of public notice register.	16 December 2021	Director of Governance and Regulatory Services

OD.124/21	<p>Abatement Notice in Respect of Statutory Nuisance issued under Environmental Protection Act 1990, Section 80 during the period of September 2021</p> <p>The serving of an Abatement Notice in Respect of Statutory Nuisance issued under Environmental Protection Act 1990, Section 80.</p> <p>Action taken against 1 individual Date served: 16th September 2021 Date operative until 7th October 2021 Case reference: NOT: 002944</p>	<p>Statutory Guidance and Private Sector Housing Enforcement Policy. Excel copy of public notice register.</p>	16 December 2021	Director of Governance and Regulatory Services
OD.122/21	<p>Appointment of the Local Government Reorganisation (LGR) Programme Director and ancillary recruitment costs. To be the host authority for the LGR Programme Director role and recover costs from the County wide Implementation Reserve. The appointment will be up to seventeen months, from January 2022 until the end of May 2023. Total estimated costs are £220,000. (subject to any pending NJC pay awards).</p>	<p>Report from the HR and Payroll Manager dated 8 December 2021. Break down of costs attached to this ODN.</p>	15 December 2021	Town Clerk and Chief Executive
OD.119/21	<p>Hammonds Pond Changing Room and Football Pitch SLA</p> <ul style="list-style-type: none"> At Hammond's Pond park there is a small changing room owned by the City Council that is not being used by the council or any third parties. There are also several football pitches that have been used by local teams for training and matches in the past. This decision covers the leasing of the changing rooms at Hammonds Pond to a local youth football team. <p>It also covers the football team taking over the cutting of the grass and marking of the pitch.</p>	None.	13 December 2021	Deputy Chief Executive

OD.120/21	<p>Keenan Park Changing Room and Football Pitch SLA</p> <ul style="list-style-type: none"> At Keenan park there is a small changing room owned by the City Council that is not being used by the council or any third parties. There are also several football pitches that have been used by local teams for training and matches in the past. This decision covers the leasing of the changing rooms at Keenan Park to a local youth football team. <p>It also covers the football team taking over the cutting of the grass and marking of the pitch.</p>	None.	13 December 2021	Deputy Chief Executive
OD.121/21	<p>Transfer of funds from Prosecution Reserve to Licensing Budget</p> <p>To transfer £1700 to cover the payment of fees for Counsel to support the Licensing Authority during a Licensing Review Hearing.</p>	None.	13 December 2021	Corporate Director, Governance and Regulatory Services
OD.118/21	<p>The Stone Inn, Hayton</p> <p>The decision is to de-list The Stone Inn, Hayton, Carlisle, as a community asset under the Localism Act 2011.</p>	<p>PC 15/14 – Community Right to Bid report at Executive 15/12/14</p> <p>Application form for Community Right to Bid - Private * Not for publication by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.</p>	08 December 2021	Town Clerk and Chief Executive
OD.116/21	<p>Licensing decisions taken between 1 November 2021 and 6 December 2021.</p> <p>The Licensing Manager has granted the attached licences or permissions under an express authorisation delegated to her and in accordance with the Council's policy requirements. (can be viewed on the Council website http://CMIS.carlisle.gov.uk/CMIS/CouncilDecisions/OfficerDecisions.aspx)</p>	<p>Applications for various licences. Private Not for Publication by Virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act.</p>	06 December 2021	Licensing Manager

OD.117/21	<p>National Lottery Community Fund</p> <p>To accept £38,380 (two years total grant funding) from the National Lottery Community Fund to prevent homelessness through the direct delivery of targeted tenancy sustainment / floating support.</p> <p>To allocate match funding from the Homelessness Prevention grant funding to enable this to be advertised externally as a full-time fixed term post.</p>	None.	06 December 2021	Head of Homeless Prevention and Accommodation Services
OD.1/22	<p>Licensing decisions taken between 1 December 2021 and 1 January 2022</p> <p>The Licensing Manager has granted the attached licences or permissions under an express authorisation delegated to her and in accordance with the Council's policy requirements. (can be viewed on the Council website http://CMIS.carlisle.gov.uk/CMIS/CouncilDecisions/OfficerDecisions.aspx)</p>	Applications for various licences. Private Not for Publication by Virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act.	04 January 2022	Licensing Manager
OD.3/22	<p>Site 13 Rosehill Industrial Estate, Carlisle</p> <p>Agreement to request for consent to assign the lease</p>	None	15 December 2021	Head of Property Services
OD.4/22	<p>Site 12 Rosehill Industrial Estate, Carlisle</p> <p>Agreement to request for consent to assign the lease.</p>	None	20 December 2021	Head of Property Services

JOINT MANAGEMENT TEAM

Item
A.6

MINUTES – 20th December 2021

Attendees	Leader; Deputy Leader; PH Communities, Health & Wellbeing; PH Economy, Enterprise & Housing; PH Environment & Transport; PH Culture, Heritage & Leisure; Deputy Chief Executive; Corporate Director of Governance & Regulatory Services; Corporate Director of Finance & Resources; Corporate Director of Economic Development; Health & Wellbeing Manager
Apologies	Chief Executive

Agenda Item 1 – Minutes of Meeting 22nd November 2021	Action
Noted and agreed	
Agenda Item 2 – Community Safety Partnership	
The Deputy Chief Executive, supported by the PH for Communities, Health & Wellbeing presented a paper to JMT which was reviewed and discussed in detail	
Agenda Item 3 – Community Events Programme 2022	
The Health & Wellbeing Manager and PH for Culture, Heritage & Leisure delivered a comprehensive update	

Agenda Item 4 – Cremator Replacement Options	
The Health & Wellbeing Manager and PH for Environment & Transport provided a detailed Report for consideration	
Agenda Item 5 - Updates on Borderlands; The Sands; Civic Centre; St Cuthbert's Garden Village; Central Plaza	
Members of SMT provided the Executive with their update on the current position regarding each area	
Agenda Item 6 – Future Items for Notice of Executive Key Decisions	
Noted and agreed	
Agenda Item 7 - JMT Forward Plan	
Noted	

Carlisle City Council

Report to Executive

Item
A.7

Report details

Meeting Date:	19 January 2022
Portfolio:	Governance, Finance & Resources
Key Decision:	No
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Establishment of 'Cumberland' Council area – Joint Committee
Report of:	Corporate Director of Governance and Regulatory Services
Report Number:	GD.02/22

Purpose / Summary:

The purpose of this report is to recommend, as one of the Councils making up the area which will be covered by the forthcoming Cumberland Council, that a Cumberland Joint Committee is established.

Recommendations:

It is recommended that the Executive:

- (1) Agree to the establishment of the Cumberland Joint Committee as detailed in the report and to the terms of reference attached at Appendix 1.**
- (2) Delegates the Executive functions within the Terms of Reference to the Cumberland Joint Committee.**

It is recommended that Executive recommend to Council that it:

- (3) Agree to the establishment of the Cumberland Joint Committee as detailed in the report and to the terms of reference attached at Appendix 1**
- (4) Delegates the Non-Executive Functions within the Terms of Reference to the Cumberland Joint Committee**
- (5) Delegates to the Corporate Director of Governance and Regulatory Services, in consultation with the Leader and Mayor the making of any**

minor changes to the terms of reference following consideration by other councils making up the Joint Committee

- (6) Authorise the Corporate Director of Governance and Regulatory Services to make the necessary amendments to the Councils Constitution and to update the Council's scheme of delegation in Section 2(a) of the Constitution.**
- (7) To receive nominations and make appointments to the positions on the Cumberland Joint Committee in accordance with the political representation / balance calculation.**
- (8) Delegates to the Town Clerk and Chief Executive following consultation with the Leader and the Mayor the authority to agree which of the 'Cumberland' Councils acts as the host authority for the Cumberland Joint Committee.**
- (9) Agrees that this Joint Committee will be/is the Cumberland Joint Committee for the purposes of the forthcoming Cumbria (Structural Changes) Order 2022 (or such similar title that Her Majesty's Government decides).**

Tracking

Executive:	19 January 2022
Scrutiny:	
Council:	1 February 2022

1. Background and Proposals

- 1.1 The Secretary of State (SoS) has made a decision, subject to Parliamentary approval, to implement the proposal for two unitary councils on an East-West geography.
- 1.2 The SoS now intends to seek Parliamentary approval for the necessary secondary legislation to implement the Cumberland and Westmorland and Furness two Unitary Council proposal.
- 1.3 All Councils have received details of the draft Cumbria Structural Changes Order 2022 and this includes specific provisions relating to the Cumberland and Westmorland and Furness Joint Committees.
- 1.4 We are required within 14 days of the coming into force of the Order to establish a Cumberland Joint Committee. It is intended that the Joint Committee proposed in this Report is the Joint Committee for the purposes of the forthcoming (or similarly named legislation) Cumbria (Structural Changes) Order 2022 and in accordance with the said Order will be dissolved on the day following that on which the shadow authority for Cumberland Council holds its first meeting.
- 1.5 The Monitoring Officers recommend that there is one Host Authority and if there are to be different Council venues for the respective meetings that the Host Authority organises the meetings. The Host Authorities are required to be agreed for Cumberland and Westmorland and Furness.

2.0 Terms of Reference and Membership

- 2.1 Suggested terms of reference are attached at Appendix 1 based on the content of the draft structural changes order. As with any matter going through different Councils' approval processes, there may be changes to this as required by the individual authorities. It is therefore recommended that delegated authority be given to the Corporate Director of Governance & Regulatory Services to make any minor amendments following consultation with the Leader of the Council and the Mayor.

3.0 Membership of the Joint Committee

- 3.1 The structural changes order requires the establishment of 2 Joint Committees, one for the Cumberland area and one for the Westmorland & Furness area. The membership make up is the same for each Joint Committee so for Cumberland the Joint Committee will comprise of 3 persons nominated by the County Council and nine persons nominated by the relevant District Councils (with each of the Cumberland districts nominating three persons).
- 3.2 Since the proposed arrangements include the discharge of non- executive and executive functions it is necessary to consider the application of political balance.
- 3.3 For Carlisle, as we operate Executive arrangements, the appointments are the responsibility of the Council with the agreement of the Executive. At least one of the members appointed to the Joint Committee must be a member of the Executive. For the City Council the political balance of appointments will be two Conservative Members and one Labour Member.
- 3.4 For the County Council political balance requirements do not apply to the appointment of those representatives and the representatives must be members elected for the electoral divisions or wards which are within the relevant areas. This means for the County Council they will appoint members from within the relevant wards for the areas covered by the Joint Committees and political balance rules will not apply.

4.0 Consultation

- 4.1 Consultation has taken place with the LGR Leaders' Oversight Board and the Chief Executives' Programme Board.

5.0 Alternative Options

- 5.1 Members could decide not to proceed with a Joint Committee until the Order is made. However, speed is of the essence and it is considered that this will be more transparent and provide clarity on decision making and ensure that the Council is ready for Local Government Reorganisation.

6.0 Conclusion and reasons for recommendations

- 6.1 The Executive and Council are recommended to agree to the establishment of the Cumberland Joint Committee to comply with the statutory requirements of the forthcoming structural changes order and to facilitate as efficiently as possible, the ongoing Local Government Reorganisation.

Contact details:

Contact Officer: Mark Lambert

Ext: 7019

Appendices attached to report:

- Terms of Reference for the Cumberland Joint Committee

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - By s101 and 102 of the Local Government Act a local authority may arrange for the discharge of any of its functions by a committee and may appoint a Joint Committee for that purpose. Similar provisions are contained in Part IA Chapter II of the Local Government Act 2000 in respect of Executive functions. The Host Authority will be responsible for arranging the meetings of the Cumberland Joint Committee. There will be a requirement to ensure that agendas are published and that we have a suitable platform on which to host the Cumberland Joint Committee and any Scrutiny Committee should it be established

Property Services – No property implications.

Finance - There will be resources required to support the meetings and the Host Authority will need to be resourced appropriately. Appointed members attendance at formal meetings will be an approved duty and as such some additional travel expenses may be incurred. Expenses of a Joint Committee are defrayed by authorities in such proportions as they may agree so this needs to be covered in the terms of reference.

Equality – None.

Information Governance- None.

Appendix 1

Cumberland Joint Committee

Purpose

1. The formation of an Implementation Team to assist the Joint Committee and if required the Shadow Authority in the discharge of its functions.
2. To prepare, keep under review, receive updates on progress and revise as necessary the Implementation Plan.
 - (i) This to include such plans and timetables as are in the opinion of the Joint Committee necessary to secure the effective, efficient and timely discharge of such of its functions, property, rights and liabilities as relate to Cumberland and its inhabitants.
 - (ii) To agree budgets and plans as are considered necessary or desirable to facilitate the economic, effective, efficient and timely discharge on and after the 1st April 2023 of the functions of the Cumberland Councils.
3. Preparing for and facilitating the economic, effective, efficient and timely transfer to the new Councils of functions, property, rights and liabilities.
4. To consider and recommend a Members Code of Conduct to be adopted by the Shadow Authority at its inaugural Full Council meeting
5. To agree the process for an independent review of a scheme of Members Allowances for the Shadow Authority, including the setting up of an Independent Remuneration Panel and to recommend to the Shadow Authority a scheme of Members Allowances for adoption at its inaugural meeting.
6. To consider and recommend a Constitution and schemes of delegation to be adopted by the Shadow Authority at its inaugural Full Council meeting
7. To agree and undertake the recruitment process for the selection of the posts of Interim Head of Paid Service, Interim Chief Finance Officer (section 151 Officer) and Interim Monitoring Officer for the Shadow Authority and recommend to the Shadow Authority at its inaugural meeting nominations for the three interim statutory Officers
8. To establish and propose a Calendar of Meetings for the Shadow Council for adoption at its inaugural meeting
9. To Manage the transition to the Shadow Authority under the Structural Changes Order
10. To oversee the smooth transition of all matters Civic and Ceremonial
11. The Joint Committee must have regard to:
 - (a) The information supplied to the Secretary of State
 - (b) Have regard to sections 27 and 28 of the Localism Act 2011 in formulating proposals for the codes of conduct to be adopted by the Shadow Authorities.

14/12/2021